THE FUTURE OF THE CANADIAN FEDERATION

A PRESENTATION TO THE

MacDonald Commission
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GOVERNMENT OF PRINCE EDWARD ISLAND

DISCUSSION PAPER

GOVERNMENT OF PRINCE EDWARD ISLAND

SUBMISSION
TO THE ROYAL COMMISSION
ON THE
ECONOMIC UNION AND DEVELOPMENT PROSPECTS
FOR CANADA

FOREWORD

Today's changing world and unsettled economic times have caused all Canadians to pause and reflect on our policies of the past and what is necessary for our future. This is particularly true for Prince Edward Island, as we enter the middle of this decade with many questions and many economic constraints which have lingered since the turn of the century.

Our concern is with the future of Confederation and the role Prince Edward Island will play. The ability we have to adapt as a nation and to accommodate provinces such as Ontario and Prince Edward Island will determine our future. This discussion paper will serve to identify what we believe is necessary with respect to the decision-making process in our country, as well as its approach to economic development, if constructive change is to take place.

We hope that this discussion paper will assist the Macdonald Commission in its work and help to stimulate public debate on this complex issue. It is our sincere wish that real federalism will prevail.

James M. Lee, P.C.
Premier of Prince Edward Island

25 November, 1983

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INTRODUCTION

The Government of Prince Edward Island welcomes the opportunity to respond to the Royal Commission on the Economic Union and Development Prospects for Canada. The mandate of the Commission is all-encompassing; not since the Royal Commission on Dominion-Provincial Relations has such a challenge presented itself. We live in precarious times and the time is appropriate for the establishment of this Commission.

Despite our difficulties, Canada is an extremely fortunate country. The problems we presently face are minor in comparison with most of the peoples of the world. We have experienced, ever since Confederation a high material standard of living, a stable political system and a high degree of freedom of choice. We have been blessed by a geography and natural wealth which is unsurpassed in the world. In addition, our country is privileged in having a variety of ethnic peoples which can work together for the benefit of all.

Unlike most people in the world Canadians have the luxury to sit down in peace together and to discuss in a reasonable manner problems common to all of us. That in itself is a privilege that we should never forget and never minimize. Our problems pale against the situation in most of the world where the populations devote most of their time in attempting to remain alive and healthy.

However, the history of the world shows very explicitly that complacency is never justified. No country can be smug in the acceptance of its present situation. The establishment of this Royal Commission is a reflection that our economic, political and social systems need to be re-evaluated. The appointment of your Commission reflects the strains to which Canada has been subjected by the political and economic events of our recent past.

The explicit position taken in this submission is that our present and future economic and social problems will not be solved unless we can reform our institutional and decision-making processes. Our position is that Canada's institutional system is not conducive to problem-solving; indeed it generates and intensifies problems and creates animosity between and among most groups within the federation. The institutions of Canada are correctly interpreted in the mandate of your Commission to be of critical importance.

Our answer to the Commission's question as to whether our institutions are flexible and adaptable is that they are not. We cannot pretend to deal successfully with the issues facing us until we discover a process by which we can make rational national decisions.

It is for this reason that the first chapter discusses the subject of Canada's institutions. Our position can be summarized by the following points.

1. Effective economic and social policy in Canada requires a national consensus.

2. A national consensus has to be a result of combined federal and provincial views.

3. An enduring and acceptable federal consensus can only be arrived at by a federal government that is seen to represent all provinces.

The above three points do not, at present, characterize Canada's decision-making process. It is increasingly becoming the case that the critical decisions made, are made by non-parliamentary bodies with little or no provincial representation. Canada's crown corporations, national courts and other institutions have become the *de facto* national decision-making bodies in the country. To the extent that national policy is made independent of a representative parliament the country will suffer.

Chapter Two provides the background for understanding much of our present situation. The significance of this section is that Canada was founded as a federation of equal partners, perhaps not equal in size or wealth, but equal constitutionally. The equality of the partners in Confederation is what reflects the strength of the country.

Chapter Three relates the institutional structure of Canada with regional economic policy. It is our conclusion that regional economic policy has not achieved its objective of broader economic development. Policies have not been successful because there is no national policy within which regional policies can operate. In addition, regional policies have not been oriented toward making changes in the fundamental environment which restricts the possibility of long-term development. The economic problems will not be solved in the absence of an institutional structure which can guarantee truly national economic policies.

We do not minimize the magnitude of the Commission's task, nor do we minimize the importance that the Commission is likely to have on Canada's future. Canada's Royal Commissions have been of great significance in the past, not only because of their recommendations, but also for intellectual reasons. Royal Commissions and their supporting studies have succeeded in writing a history for their own times.

It is with the greatest sincerity that we wish your Commission well in writing a history of Canada for our times and contribute to a dialogue which will result in an even better and more equitable federation.

I. CANADA'S INSTITUTIONS

We live in an extremely complex and in many respects a frightening world. It is a world in which both individuals and societies are more vulnerable than they were in previous historical periods. Even in a period as short as that which defines Canada's history, great transformations have taken place. Life might have been physically more difficult in the early nineteenth century, but life was simpler. In the agrarian society which preceded ours, the population existed and either prospered or starved mostly as a result of their own individual decisions. The most uncertain factor affecting their lives were climatic conditions.

At the present time the population of Canada, as well as provincial and federal governments, are preoccupied with what are viewed as virtually insurmountable problems. They are of a diverse nature but more times than not are categorized as economic problems. Regional disparities, the degree to which we are internationally competitive, the rapid pace of technological change, Canada's productivity levels, inflation and unemployment are but a few in the almost infinite list of most mentioned concerns which we face. The submissions to this Commission are another indicator of this national preoccupation with economic problems.

It is not our intention to minimize the degree to which economic problems are considered to be of crucial importance by most Canadians, nor to deny the detrimental effects that such problems have on Canadian society. However, to isolate the economic from the context of Canadian political and institutional structures is to eliminate the possibility of understanding our problems and to prohibit the discovery of viable solutions. It is to the credit of the federal Cabinet that in determining the terms of reference of your Commission the importance of the connection between economic issues and political and institutional structures is explicitly recognized. The Commission is asked to inquire into "The appropriate institutional and constitutional arrangements to promote the liberty and well-being of individual Canadians and the maintenance of a strong and competitive economy..." In addition, the Commission asks all Canadians is we have "...in our economic and political institutions, sufficient capacity to deal with the unexpected, to turn adversity to advantage, to transform opportunities to achievement...?" This is the crucial question of the Commission; the ability for Canada's institutions to be flexible and adaptable is a precondition for the solution of all problems.

It is important to recognize at the outset that the economic problems we presently face and others we shall face in the future are not necessarily "economic" problems *per se*. The problems which existed in the 1930s cannot be defined as strictly economic problems, independent of institutional difficulties. The depression of the 1930s did not arise solely because of a lack of production technology, or because labour did not want to work or because business did not want to produce. The lack of sufficient safeguards governing the behavior of the banking and financial system, the lack of sufficient regulation in stock market transactions and many other institutional factors contributed greatly to the depression. Economic problems are not always the cause of depressions; they are its result. Lack of employment, falling levels of output and a reduced demand for that output were not the cause of the difficulties in the 1930s. They were the result of the inability of government

and political and private institutions to define an environment in which economic activity could take place.

Inherent in a stable society is an institutional framework which can guarantee that economic activity will take place. That framework also has to be flexible and conducive to a decision-making process which can provide solutions to problems when they arise. It has become a cliché, however it is correct to say that economics is too important to leave to economists. We have experienced enough history to learn that economics and economists may be necessary but not sufficient in dealing with societies' ills.

We live in an age of vulnerability. There has evolved an extremely complex interdependence which exists internationally as well as within the boundaries of our own country. Policical decisions (not economic decisions) made in the Middle East can bring us to our knees. Politicians in Geneva, Washington, D.C. and Brussels and businessmen in boardrooms in New York make decisions unbeknownst to us which strongly affect our destiny. In order to deal sufficiently with the international as well as the domestic environment our institutions must be sound.

The explicit position taken in this submission is that our economic and social problems will not be solved unless we can reform our institutional and decision-making processes. Our position is that our institutional system is not conducive to problem-solving; indeed it generates and intensifies problems and creates animosity between and among most groups within the federation. We consider that the Commission's inquiry into the nature and effectiveness of our institutions is the most important part of its mandate. Our answer to the Commission's question as to whether our institutions are flexible and adaptable is, no. We cannot pretend to deal successfully with the issues facing us until we discover a process by which we can make rational national decisions.

For many reasons, it is apparent that the existing crisis in our political and institutional structures has intensified from the early 1960s. The move for western independence, the increased feeling of alienation in Saskatchewan, Alberta and more recently Newfoundland over control of resources, the transformation of the "Quiet Revolution" into an active separatist movement in Quebec and the increased interest in resolving the Constitutional issue all reflected growing dissatisfaction with the Ottawa decision-making process. The reaction of the provinces to a feeling of impotence in national decision-making has resulted in an increased effort to "empire build". The effect has been an increasing degree of regionalism of an undersirable nature, with provincial governments taking over the role of representing their political jurisdictions in areas of federal consitutional responsibility. This is the explanation for what many see as a movement away from the increasing centralization which has taken place since Confederation.

Because the provinces do not see the federal government as a government representing all provinces, the provinces have attempted to substitute themselves for the lack of representation in the legitimate national decision-making process. What has resulted is an increasing degree of hostility and the interpreting of economic and political relations in terms of a zero-sum game. What one party wins the other has to lose.

Part of the problem has arisen because of the powers initially granted to the provincial and federal governments in the British North America Act. The distribution of powers necessitate a concurrence of both levels of government on many major issues. This is particular-

ly true with economic issues, where the federal government has unlimited taxing power and control over trade and commerce and currency and banking. On the other hand, the provinces have control over the national resources within their borders and local works and undertakings.

However, the division of powers in the British North America Act is not the source of our fundamental problems. The British North America Act has served Canada quite well for a long period of history. The more fundamental problem is that the British North America Act presupposed representative government. Without truly representative government, without a federal government that is seen to represent all provinces, a real federal consensus will not be arrived at. Representative government is a necessary condition for the constitution to have meaning; without it we play the zero-sum game and the constitution is meaningless. Our history shows us that this condition has not always been met. There is little question that much of the hostility between governments, the inability to reach a consensus and the inability to make truly national policy decisions is the result.

Donald Smiley has put forth the case that recent federal strategy appears to be based on what he calls "federal majoritarianism". For Smiley, federal majoritarianism "asserts that the government which controls the House of Commons is the sole repository of the Canadian common good". Smiley argues that the new orthodoxy asserts that in any direct clash between the federal majority and any other center of power the will of the former must prevail because it alone represents the interests of all Canadians. To support this argument Smiley refers to the words of the Prime Minister from the House of Commons in 1980:

> We, who are here in Parliament, are the only group of men and women in this country who can speak for every Canadian. We are the only group, the only assembly in this country, which can speak for the whole nation, which can express the national will and the national interest.

Smiley's conclusions are that federal majoritarianism is subversive of both the parliamentary and the federal dimensions of the Canadian political community. The new doctrine substitutes the will of the government majority in the House of Commons for the balanced system of powers within the central government provided for under the British North America Act and followed by successive generations of Canadians.

The difficulties of national political decision-making is intensified, as Richard Simeon has recently suggested, by the very logic of cabinet government and the concomitant strict party discipline which reduces the ability of the federal government to reflect within itself Canada's regional diversity. In addition, cabinet solidarity places severe limits on the ability of a minister to act as a regional spokesman. For these and other numerous reasons it is the case that mechanisms for expression of specific fractional interests at the federal level of government are weak and ineffective. It has been argued frequently that this is not the case in countries like the United States and Australia because the structure of their respective Senates are effective in fulfilling this role. The Canadian Senate cannot play this role because the provinces are not equally represented, and therefore lack the legitimacy that would come from such representation.

The long-term result of our present situation, if not reformed, is the disintegration of the federation. The lack of a meaningful federal consensus will increasingly be met by the attempt of every provincial government to maximize what they interpret as their own interests independent of an impotent parliamentary process. By default the provincial governments assume the responsibility for provincial economic interests. The result is that all lose.

THE CASE OF PRINCE EDWARD ISLAND

Prince Edward Island feels extremely vulnerable in the present situation; however, the argument put forward here is not one based on what may be interpreted as our own vested interests. It is an argument which we believe to be in the interests of Canada.

However, as the smallest province in the country, we do feel that the "national" decisions which are made are made largely independent of the province's concerns. Although an equal partner in Confederation, we presently find ourselves in a position of having less representation in the Federal House of Commons and therefore less influence in national decision-making than was the case one hundred years ago.

In 1873, there were 206 members of the Federal House of Commons, including six members from Prince Edward Island. However, this number has decreased by 1983 to four out of 265 today.

It is also the case that Prince Edward Island, over the last twenty-five years, has usually had a representative in the federal Cabinet. However, when Prince Edward Island did not elect members of parliament to the Government Caucus, as was the case between 1965 and 1972, the Prime Minister saw no need to nominate a Senator from the Government Caucus to the Cabinet, as happened in other provinces almost without exception.

Perhaps most importantly the provinces have felt the impact of the increasing number of national non-parliamentary institutions. Institutions such as the Canadian National Railway, Air Canada, the Canadian Radio and Television Corporation, the Canadian Transport Commission and many others are, in effect, making national policy independent of Parliament. These non-Parliamentary agencies and corporations are increasingly filling the void left by a lack of federal consensus, and in most cases Prince Edward Island has no representation on the institutions or their boards. For example, following is a partial list of non-parliamentary institutions with the Prince Edward Island representation.

1. Supreme Court of Canada	- no representative
2. Federal Court of Canada	- no representative
3. Canadian Radio and Television Commission	- one part-time commissioner
4. Canadian Transport Commission	- no representative
5. National Energy Board	- no representative
6. Air Canada	- no representative
7. Canada Post	- no representative
8. Petro-Canada	- no representative
9. Canadian National	- no representative
10. Canadian Broadcasting Corporation	- no representative

All of the above institutions are making daily decisions which affect all Canadians, outside of the parliamentary process and the province has virtually no representation and influence on those decisions.

Since the entrenchment of the Charter of Rights in the new Canadian Constitution, the Supreme Court of Canada has teaken on an even greater significance. It was the explicit decision, in the entrenchment, that the courts were a more appropriate body than governments to deal with the issues involved in human rights. With this decision we have another non-parliamentary institution with its national decision-making ability increased. Since this is the case it is of crucial importance for the provinces to see the Supreme Court as being representative. This is not the case. The Supreme Court of Canada was established in 1875 and was originally composed of six judges; at the present time it consists of nine judges. During the 108-year history of the Supreme Court, Prince Edward Island has had but one member of the Supreme Court of Canada. We had one of six members. However, for the past sixty years we have had no representative despite the Supreme Court increasing in size by fifty percent. Again, it is crucial that the Supreme Court, in order to maintain the public confidence of all Canadians, appear representative of the provinces.

Reform of the Senate is a case where the position in this submission can be expressed clearly and explicitly. It is a topic which has been discussed and debated from the Senate's inception in 1867 continually through to the present. The discussion of Senate reform has been intensified since the 1980-82 constitutional talks.

The province of Prince Edward Island has presented its case to the Special Joint Committee of the Senate and the House of Commons formed in December, 1982, and will not repeat it here.

Suffice it to say that the main purpose for the establishment of the Senate was to represent the provincial interests in federal legislation. The two larger provinces were incompatible with the four divisions of equal representation because of the population difference between provinces. It was finally agreed to have three equal divisions of a regional nature.

If Senate reform were to take place, such that the equality of the provinces (not regions) was established, and if Senate were to have a strong legislative role, there would be positive moves in the direction of its classic role as an Upper House in a democratic federation.

This brief discussion of Senate reform is simply a specific example of the thrust of the argument put forth in this section of our submission.

Without reform in our institutions, without somehow developing an institutional structure which is seen to represent a national consensus, our economic and social progress will be stifled. The existing institutional structure breeds hostility, prohibits true *national* economic and social policy from being developed, and will continue to motivate the provincial governments to assume the role of representing their political jurisdictions in areas of federal constitutional responsibility.

II. THE SETTING

In 1960 the Atlantic Provinces Economic Council (APEC) commissioned The Institute of Public Affairs at Dalhousie University to examine how past Royal Commissions had dealt with issues affecting the Maritime Provinces. Specifically, the Institute's study dealt with the reports of fourteen Royal Commissions appointed by the federal and provincial governments to examine economic questions relating to the Maritime Provinces between 1926 (The Royal Commission on Maritime Claims) and 1957 (The Royal Commission on Canada's Economic Prospects). We believe the conclusions of this report to be of import to the deliberations of your commission and to the problems Canada currently faces. The Institute's conclusions in 1960 included the following:

> It is surprising, that so large a number of problems that existed 30 years ago persist today and so many of the remedies hopefully advanced during that period, are voiced today in almost the same words and tones.
>
> It is difficult to escape the conclusion that on the major problems to which the Royal Commissions have directed their attentions, they have failed to produce permanent solutions.

The Institute went on to enumerate the unsolved problems, many of which were repeatedly investigated in Royal Commissions during the period 1926-1957. The list included:

1. Problems related to transportation, freight rates, and markets.
2. The financial relations between the Dominion and the provinces.
3. The economic expansion of resource-based industries: agriculture, fishing, forestry, mining, tourism,etc.
4. The encouragement of such industrial development as can be supported by the economic potential of the area.
5. The improvement of employment and monetary policies which, in a federal state, will harmonize regional needs with national policy.

It is the position taken in this submission that not only were the conclusions of the study appropriate then but that the same fundamental problems face the Canadian federation at the present time. Indeed, in some respects they may have intensified.

This is not to suggest that the more often discussed and specific problems such as the effects of recent technology, inflation, high unemployment, the nature of work and changing international relationships are not of importance. However, most of these problems can and should be discussed in the broader context of Canadian federalism.

If we as a nation are to find solutions to our problems we first have to recognize that many contemporary problems are rooted in the history and structure of our brand of federalism. The most obvious exception to this, in recent history, is the increasing interdependence of world economies.

Two important and inter-related characteristics of Canadian federalism which are germane to this context are the evolution of federal-provincial fiscal relations and Canada's specific type of regionalism. For the purpose of establishing a context in which we can better understand the nature of our contemporary problems we now turn to the issue of regionalism.

THE NATURE OF CANADIAN REGIONALISM

There are many misunderstandings regarding regionalism in Canada. They vary from the extreme of somehow eliminating regions and establishing a unitary nation state, to the other extreme of establishing each province as an independent economic and political entity. Regionalism is not a result of new enlightenment or even peculiar to Canada as some would have us believe. One of the distorted views of the uniqueness of Canadian regionalism is that which has recently been expressed in a submission presented to your Commission. In this particular submission it is stated that:

> It is no mystery why this topic is of much more interest in Canada than in, say, the United States. Each of our provinces has its own endowment of natural resources, its own distinct people with their own skills and activities and its own unique economic history. And, of course there are very wide variations of income and standards of living between the different regions of Canada. This is why Canada has a regional economic policy.

Such an argument suggests that Canada is "more regional" because of economic, cultural and historical differences. That argument is incorrect, because it is not only contrary to the evidence but more importantly, it hides the real reasons for Canadian regionalism. It suggests that the income disparities which exist between Florida with a per capita income of $17,505 and the state of Arkansas of $5,183 are not important (a greater difference than between any two Canadian provinces). What of the resource endowments of Texas Oil, Kansas soil and the manufacturing centres of the Northeastern United States? Is there no difference in the economic and cultural history of Hawaii, Massachusetts, and Alaska, to say nothing of the Southern states? The reasons for the uniqueness of Canadian regionalism are much more fundamental.

The existence of "Canadian" regionalism is the result of the explicit provisions of the British North America Act in combination with explicit economic and social policy followed by the Dominion throughout the history of the federation. In addition, there is not a stable federal system in the world, except Canada, which has one separate region which produces more than half of the national output and has the potential ability to elect the national government of the country. If there is any uniqueness of regionalism in Canada compared with the United States, it is of the relative strength of one region, central Canada. It is industrialized, populous, part of the St. Lawrence heartland, the holder of an absolute majority of the seats in the House of Commons, and the major beneficiary of national economic, cultural and social policies. Until this reality is understood and the implications of this arrangement of the federation analyzed we will continue to be overwhelmed by our problems.

There is little disagreement that with Confederation came a regional specialized plan. The established centres of central Canada and the Maritimes were to provide the manufactured goods for the resource-specialized west and peripheral regions in the Canadian shield. East and West were to be linked by a railway, a link protected by high tariffs. Difficulties which might occur were forecast prior to Confederation by opponents of union in the Maritimes who envisaged rapid and continuous population increases in central Canada and a relatively stable population in the Atlantic region. Concerns were expressed not only regarding the detrimental economic effects on the extremities of the country, but also regarding the decreasing representation in Ottawa as the result of population shifts (a New Brunswick newspaper predicted 213 seats for Ontario and Quebec by 1901 versus 47 for the four Maritime provinces).

It is widely accepted (not only in the Alantic region) that the National Policy had adverse effects on the peripheral regions of the country. As one economist has put it, "The great dream of the St. Lawrence developers began to come unstuck almost from its inception, and the Maritimes deindustrialized." This conclusion was reached based on the assumption that regional concentration will increase once peripheral areas are opened by the railway to continental influence. In addition, markets in all regions were increasingly filled by products from American plants which had slipped across the border to settle behind the tariff wall. Ultimately, the regional inequalities which were part of Canada's development strategy were intensified by the National Policy.

It is not the intent of this submission to provide an historical review of the detrimental effects of the National Policy. Rather, we wish to demonstrate that precisely these institutions and structures which gave us the National Policy in 1867 continue to perpetuate regional inequality in Canada. It should be borne in mind that this view is not just the view of a few disgruntled Maritimers, but one which has been promoted for many years by social scientists, politicians and not just a few previous Royal Commissions. It is worth noting that in 1912 when the Federal government accepted Prince Edward Island's argument of an additional $100,000 per year subsidy they did so, not on any specific claim, but simply on the Island's failure to prosper in Confederation. Even Sir Wilfred Laurier, the leader of the Opposition, who had reservations about the Government's policy, was moved to comment that "the one reason only which has impressed me — and it is not a constitutional reason, it is not a legal reason, it is simply a reason of equity — is the fact that Prince Edward Island has not profited by Confederation".

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

In addition to the National Policy some of our present problems are not unrelated to the division of powers and taxing powers outlined in the British North America Act. It is worthwhile to quote at some length from D. G. Creighton's submission to the Royal Commission on Dominion-Provincial Relations in 1939.

> It is obvious that, while the excellencies of the Confederation settlement remain as undoubted as ever, its defects have become more conspicious with the passage of time. The Fathers of Confederation were not endowed with the prophetic power which enabled them to anticipate the governmental responsibilities of the future; and, indeed, they made no direct reference to the possible development of new legislative powers. This reticence may have been due to a modesty from which succeeding generations have been slow to profit; and it may be that the Constitution which Macdonald regarded as "a mere skeleton and framework which would not bind us down" has unfortunately been permitted to lose the elasticity which he expected would be one of its distinguishing characteristics. At all events, whether or not the outcome might have been different, the omissions in the Confederation settlement have now become major defects. The Fathers of Confederation intended to unite the economies of British North America in a strong, national integration; but they naturally judged the wants of this new economic unity in the light of the conditions of their own day and milieu. They hoped for the development of manufacturing and for expansion to the Prairies. But they could not foresee the modern industrialism of eastern Canada; they had no experience of the wheat economies which were to develop in the West; and the legislation respecting marketing and social welfare, which the modern age has deemed legitimate and necessary, was undreamed of at the time of the Quebec conference. The Fathers of Confederation devised a federal scheme which suffered for decades to meet the needs of a relatively simple economy; but its weaknesses have been exposed, as they never were before, by the pressure of those burdens which are the inevitable accompaniment of a complex and unstable modern world.

As Creighton suggests, the desire for a strong central government dictated that the federal government be assigned the most financially significant functions of the time, together with the most important revenue sources. The provinces in turn were given the lesser powers of the time which were enumerated in the British North America Act. These powers included responsibility for education, hospitals, property and civil rights, licensing of business, administration of justice within the Province, and matters of a local nature. At the same time the Provinces were assigned the less significant revenue sources and were limited to direct taxation within the province. In addition the federal government was granted the power to raise revenue "by any mode of taxation".

Direct taxes, such as the personal income tax, were unpopular and were not considered to have much potential as sources of revenue.

These provincial-federal arrangements achieved a reasonable balance between revenue needs and expenditure responsibility in 1867. The federal government had been assigned the costly functions inherent in nation-building: national defense, economic development, and transportation. Consequently it had been given the main revenue sources. The functions assigned to the provinces on the other hand were not financially important, nor were they expected to become so, and their revenue needs were considered to be well below federal needs.

However, as Creighton said, the Fathers of Confederation were not endowed with the prophetic power which enabled them to anticipate the governmental responsibility of the future. It was also the case that the situation was affected by the interpretation of the Judicial Review Committee of the Privy Council and later the Supreme Court of Canada. It was not always the case that decisions by these institutions were consistent with the intentions of the founding fathers, as expressed in the British North America Act. The fact that provinces had a tendency to "empire build" contributed to the disorder. The widening sphere of constitutional jurisdiction was not matched by the revenue sources available to the provinces. What evolved was a complete lack of correlation between expenditure responsibilities and revenue sources at the different levels of government. The federal government ended up with unlimited taxing powers, but the most expensive functions were under the jurisdiction of the provinces, and the provinces found it difficult to raise sufficient revenues to meet their large and ever increasing expenditures. It is also the case that many of the expenditure functions of the provinces have become more expensive because of federal initiatives. The fact that the federal government legislated a national medical program imposed additional financial burdens on the provinces.

By the 1930s the federation was in a shambles, not just because of the depression but also because of the imbalance in the constitutional division of powers and the fact that the provinces lacked the financial capacity to meet the social and economic demands placed upon them. Consequently, there was little or no cooperation between the provincial and federal governments in taxation as both governments scrambled for revenues and produced a chaotic tax jungle of joint occupancy, high tax rates, duplication of administrative machinery, and regressiveness in taxation.

The appointment of the Royal Commission on Dominion-Provincial Relations in 1937 can be interpreted as an admission of the crisis of Canadian federalism. It took seventy years for the effects of the National Policy, the division of powers in the British North America Act and the added crisis of the depression years to bring Canada to its knees.

POST WORLD WAR II

Although Prime Minister R. B. Bennett is best known for his part in the Canadian version of the "New Deal", the more significant aspect of Bennett's term in office is the beginning of the acceptance of a stronger role of the state in the economy. Alexander Brady commented in 1950 that "what government does and how the federation works will continue to be inseparable issues in the Canadian State." He also added that "the role of the state in the economic life of Canada is really the modern history of Canada."

Since the 1940s the Canadian federation has experienced profound change. These changes have resulted from the gradual acceptance of the recommendations put forth by the Royal Commission on Dominion-Provincial Relations in 1940, the still-continuing experimentation with innovative regional economic development policies, and overall a much more important role for the state in the economy.

This last factor was made explicit in the White Paper on Employment and Income which was tabled in Parliament in 1945. The implications of the White Paper were historic for Canada, for it was the first unequivocal statement of Government responsibility for maintaining "a high and stable level of employment and income, and thereby higher standards of living, as a major aim of government policy." Statements in the White Paper also suggested an acceptance of the Keynesian philosophy for managing the economy. Despite the fact that Keynesian fiscal policy was carried out in a totally *ad hoc* manner for many years, it did eventually dominate the federal government's mentality.

Indeed, many of the Rowell-Sirois recommendations on tax matters were, to a large degree, temporarily implemented through the wartime Tax Rental Agreements, which, in effect, saw the provinces vacate their constitutional rights to levy personal and corporate income tax, in return for annual "rental" payments. Referring to the province's reluctance to accept the Rowell-Sirois recommendations but their acceptance of the tax rental arrangements, one commentator observed: "Patriotism accomplished what financial reasoning could not," referring to the reluctance of the provincial governments to accept the Rowell-Sirois recommendations but to accept the tax rental agreements.

Assured by the government in Ottawa that it was not attempting to permanently take over provincial taxing powers, and imbued with the spirit of wartime co-operation, the provinces generally accepted these new arrangements.

The acceptance of the ostensibly temporary tax rental agreements is, in retrospect, of extreme consequence of the relationship between the provinces and the Dominion. Like so many policies instituted on a temporary basis because of the exigencies of the time, the rental agreements became more or less a permanent feature of Canadian federalism.

However, after the war the federal government wanted to maintain their control over what had then become the major tax fields. What was designed to be a temporary policy motivated by wartime emergency, the federal government wished to continue indefinitely. In an effort to renew the rental agreements, a series of conferences took place between 1945 and 1946. At this point some provinces, notably Quebec, Ontario and British Columbia, objected to a continuance of the program.

Quebec objected on the basis of federal encroachment on provincial autonomy. Ontario and British Columbia objected on the same grounds and in addition objected to transferring funds from the richer to the poorer provinces through rental payments.

The federal government, not able to get agreement from the provinces, then offered to sign rental agreements with any individual province and did so in 1947 with all provinces except Ontario and Quebec. These rental agreements were to run from 1947 to 1952. When the agreement ended in 1952, no automatic solution was found and the federal government proposed to extend the rental agreements for another five years on a similar basis. All provinces signed the 1952 proposition except Quebec, for reasons similar to the past. This agreement was to run to 1957.

The provincial-federal financial arrangements which evolved from 1941 to 1957 have had significant implications for the Canadian federation. It is quite likely that the tax rental agreements were the precursor of today's equalization grants. The rental agreements provided the federal government the revenue capacity to later initiate and fund the equalization grants.

The tax-sharing agreements of 1957 (to run for five years) were a continuance of the 1941 tax rental agreements with one important addition. The 1940 Royal Commission on Dominion-Provincial Relations had proposed the establishment of a system of national adjustment grants to achieve what it viewed as one of its central objectives. The Commission described this objective as follows:

> They [National Adjustment Grants] are designed to make it possible for every province to provide, for its people, services of average standards and they will thus alleviate distress and shameful conditions which now weaken national unity and handicap many Canadians. They are the concrete expression of the Commission's conception of a federal system which will both preserve a healthy local autonomy and build a stronger and more united nation.

More specifically, the Commission recommended that national adjustment grants be paid:

> Whenever a provincial government established that it could not supply Canadian average standards of service and balance its budget without taxation (provincial and municipal) applicably exceeding the national average in relation to income.

One of the crucial considerations of the Commission was that the national adjustment grants should be unconditional. This position, taken in 1940, was the opposite of past experience and also the orientation of the tax rental agreements. The Commission made the point explicit.

> If a province chooses to provide inferior services and impose lower taxation it is free to do so, or it may provide better services than the average if its people are willing to be taxed accordingly, or it may, for example, starve its roads and improve its education, or starve its education and improve its roads.

Although there have been changes since 1957 in the equalization formula, the most recent brought about by increasing resource revenues and the particular situation of the province of Ontario, the main principles of equalization have remained basically the same and have served Canada well. Indeed, our program of federal equalization payments to the provinces has been referred to as the "glue" that holds the country together.

The stated objective of equalization, to give recipient provinces the opportunity to provide reasonably comparable levels of public services without having to resort to exorbitant tax rates relative to those of other provincial governments, is a contribution to the unity of the federation. In addition, the federation benefits from the fact that equalization payments have never been used to finance any particular mix or package of public services, but rather have been spent in any way the recipient province chooses. In this sense, the program may be interpreted as having a very general goal - that of reducing the differences in fiscal opportunities between provinces.

The significance of equalization for the poorer provinces cannot be exaggerated. Although equalization payments accounted for only 5% of the federal government's total gross expenditure in 1980/81, it was the single largest source of funds for governments in the Atlantic provinces, accounting for 21 to 26 percent of their total general revenues in 1980/81.

It is well to remember that when the Royal Commission on Dominion-Provincial Relations recommended a system of National Adjustment Grants in 1940, it did so not on the basis of a newly developed problem, but on the experience of the past. The Commission defended its proposals on the basis that the degree of regional inequality evident in the 1930s had not existed at the time of Confederation. More importantly, the Commission determined that a large part of the responsibility for this situation fell on the shoulders of the federal government. The Commission contended that the "national policy" of high tariff protection adopted soon after the founding of the nation drastically altered the economic development of the country and that of each individual region within it. Of equal significance was the Commission's view that the provinces had implicitly joined in a contractual arrangement in 1867 under which each partner agreed to share the benefits as well as the economic costs associated with the overall growth of the nation.

It is to the credit of Canada as a federation of equal partners that the principle of equalization was one of the few principles which received unanimous agreement to be enshrined as section 36 in the new Canadian Constitution.

It is our wish that your commission consider the vision and wisdom of the Royal Commission of Dominion-Provincial Relations — that size, material wealth, and political influence are not everything in a federal state. When they become so, the federal system will have failed. Prince Edward Island is an anomoly but an anomoly which can and does reflect the strength and unity of the Canadian federation.

III. REGIONAL DEVELOPMENT AND THE ECONOMIC UNION

After the second World War, significant changes occurred in federal-provincial arrangements which began an increased trend toward the centralization of decision making. The centralization was characterized by Ottawa's monopoly over personal and corporate income taxes, assumption of the responsibility for the unemployed, and a proliferation of conditional grants to the provinces. Overriding this centralization was the acceptance of Keynesian policy which dictated that the federal government use its taxing and spending powers to guarantee high rates of economic growth, employment and price stability. In addition, new national programs to reduce regional inequalities through the Department of Regional Economic Expansion (DREE) were added, with the mandate to guide the poorer provinces toward the achievement of national goals. In recent years there has been a gradual trend toward more decentralization. The provinces have re-entered the personal and corporate income tax fields, new provisions for "opting out" of conditional grants, the national acceptance of equalization payments, and established programs financing arrangements have contributed to a partial restoration of provincial autonomy.

In retrospect, the period from the end of the Second World War to the early 1970s looks like a "Golden Age". The Canadian economy experienced insignificant rates of inflation and unemployment (except in a few isolated years) and the rates of economic growth throughout the period were high. Because of the positive economic indicators, an air of optimisim (if not arrogance) existed within the economics profession, among our political leaders, and within the public. The optimism was based on the assumption that the economy could be controlled and directed by the use of Keynesian fiscal policy and monetary policy.

Consequently, the view was gradually accepted that not only could we maintain high rates of economic growth by budgetary manipulation but that with increasing rates of real growth most other problems of Canadian society would be alleviated. Regional inequality would disappear, the poor would gradually be absorbed into the middle class, and most other economic and social problems would be resolved.

In the mid-1970s, the situation changed. Beginning with the energy "crisis", Canada's economy began to suffer, as did most of the economies of the western world. Many of the consequences of our current economic malaise are apparent; unacceptable rates of unemployment, inflation and growth, and the lowest levels of productivity in the western world. There are other, perhaps more important consequences of the present situation which will be discussed later.

Despite the fact that we date our present difficulty to the early and mid-1970s, there was a relization much earlier that significant problems were developing. In 1965, the *Annual Report* of The Economic Council of Canada included a chapter on regional disparities which provided dramatic evidence of the existing inequalities in the standard of living between provinces. In its 1975 annual report the Council brought its findinLiving Together, in 1977. The significance of the 1965 report was to point out the extent to which disparities existed between provinces, but perhaps more importantly, the conclusions were largely responsible

for the establishment of the federal Department of Regional Economic Expansion several years later. The evidence contained in the 1975 *Annual Report* and in *Living Together* were even more dramatic. They showed that even though DREE existed, not only were the disparities significant but they were not being reduced over time. This suggests that federal and provincial policies had not been effective in achieving their goal. However, it was not clear whether the lack of success was due to an inadequacy in the conception of the problem or the use of inappropriate policy instruments.

The important lesson learned by Canada's policy makers from the experience in the 1950s and 1960s was that increasing national growth rates and various average indices of prosperity do not necessarily reflect an increasing relative prosperity of the Canadian people. We should have learned from the inherent contradictions in the thought and policy of the English mercantilists that the wealth of the nation is not synonymous with the wealth of the population. It is much more than just a cliché to say that the strength of Canada, both politically and economically, is a function of the strength of her provinces. To the extent that the provinces are poor and weak, the federation is poor and weak.

REASONS FOR REGIONAL DISPARITIES

The literature related to regional development in the post-war period is immense. There is no intention in this submission to attempt an all-encompassing survey and evaluation of that literature. However, it is important to outline some of our views regarding regional problems.

It is our position that many of the arguments and proposals put forward, and accepted, do not provide solutions to the economic problems of the provinces, but merely mask more fundamental problems.

The most popular suggestions have been based on traditional neoclassical economic theory. Neoclassical theory emphasizes the importance of flexibility in prices and wages, the mobility of labour and capital, and most importantly the ability of market forces to solve regional problems. This suggests that if the market forces are allowed to operate unhindered the problems will be solved. Policies that are based on the neoclassical view vary from doing nothing and allowing the market forces to solve the problem to using policy to create a situation in which markets can work more effectively. It may be the case such policies would be successful. However, the cost of this success would be to depopulate the provinces which suffer from lower standards of living. It is the acceptance of neoclassical theory that motivated the Royal Commission on Canada's Economic Prospects in 1957 to recommend that "assistance should be given to people who are unable to make a reasonable living where they are and who wish to be relocated elsewhere." Neoclassical economic theory also supports the policies which were used in Newfoundland to depopulate the outports by movig entire populations.

The logical implications of the neoclassical solution are not only distasteful but an affront to everything this country is supposed to stand for.

There is also increasing recognition that even if such policies were followed they would not be successful. The Economic Council, in *Living Together,* made this point explicit:

> At the beginning of our research, we thought that natural economic mechanisms, migration of people, and movements of firms might suffice to resolve Canada's regional disparity problems, particularly the unemployment and income problems in the Atlantic region and Quebec, if they were permitted and encouraged to operate freely. That does not seem to be the case.

The Economic Council adds:

> While it is useful to know that properly functioning relative prices and free mobility of factors may be helpful in curing a region's problems, it is more useful to know why some region's problems persist so long, despite equilibrating market forces.

The conclusion of the Council is that the neoclassical approach is hampered by its failure to recognize that interregional migration is not only an important part of the market mechanism that evens out disparities, but in the opinion of many who live in regions experiencing it, a regional problem itself.

The thrust of the Economic Council's recent work suggests that many of the traditional and accepted ways of dealing with regional problems do not satisfactorily explain the causes of the problems. It is obvious that if this is the case, the policies based on the analysis are ill-conceived.

The Economic Council of Canada has made great strides in our understanding of regional disparities. However, it is our position that the neoclassical theory is not only an unsatisfactory explanation for the causes of regional disparities, but if Canada relied on the market mechanism to operate unhindered it would result in a worsening of the present situation.

It was pointed out in a previous section that the national policy contributed to the establishment of Central Canada as the industrial and political heartland of the country. What is done is done. However, given that situation any further emphasis on "allowing the market to sort out the problem" will make the problem worse.

One of the most thoroughly debated topics throughout the recent constitutional talks was one concerning the establishment of Canada as an economic union. We would also assume that the question of economic union is of utmost concern to your commission, given the title of the Commission. While we support, in principle, the concept of the economic union, our acceptance is not without qualification. Our concern is that with complete economic union comes an increased vulnerability.

Our basic position is that given the present economic and political configuration of Canada, a reliance on market forces is likely to intensify regional problems. Gunnar Myrdal, a holder of a Nobel Prize in Economics, has made the point well.

> If things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping, and indeed, almost all those economic activities which in a developing economy tend to give a bigger than average return — and, in addition, science, art, literature, education and higher culture generally — would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater.

Myrdal argues that the power of attraction of a center does not originate from natural economic factors, but is a result of historical accident (or policy). However, once established, the center will attract more and more economic resources and exhibit continuous growth at the expense of other geographical areas where relative stagnation or regression will be the typical pattern.

> More specifically the movements of labour, capital, goods and services do not by themselves counteract the natural tendency to regional inequality. By themselves, migration, capital movements and trade are rather the media through which the cumulative process evolves — upwards in the lucky regions and downwards in the unlucky ones. In general, if they have positive results for the former, their effects on the latter are negative.

The position of Myrdal and others who have argued similarly appears, in the Canadian case, to point to more fundamental problems than those traditionally accepted. This position does not imply that issues such as low productivity, insufficient investment and industrial structures are unimportant. It does however point to the fact that these factors have to be considered in the broader context of the peripheral regions *vis a vis* the industrial and political center of the country. It has to be considered of critical importance that despite the years of increased utilization of specific regional economic policies there has not been any fundamental realignment in our regional economies. There obviously have been improvements in the absolute level of living in all parts of the country, but in relative terms the changes have been insignificant.

This is not meant to imply that changes have not taken place. Alberta and Saskatchewan have bettered their situation and Ontario's position has changed for the worse. Newfoundland and Nova Scotia's future looks brighter because of the potential provided by offshore resources.

The case with the prairie provinces, Newfoundland and Nova Scotia, however, have little to do with long-term economic development. The improvement and potential improvement is based solely on the fortuitous discovery of valuable resources. This is not what long-term development is made of.

Based on Canada's history as well as recent experience, it is tempting to agree with the analysis of Paul Phillips in his recent book *Regional Disparities*. Phillips argues that regional disparities in Canada arise from the uneven regional distribution of natural resources and an economic policy inherited from an earlier age. Phillips' conclusion is consistent with the position taken in this submission:

> Given that very little has changed in the post-war period in terms of a national economic strategy — a strategy already proven bankrupt by the 1930s — there is little reason to expect that the regional disparities that became manifest under the earlier national policy would be fundamentally altered by the economic policies of DREE, equalization payments, shared cost programs and other transfers. Though important in containing disparities, these measures have had minimal effect on the root causes, industrial structure and resource dependence.

What is suggested in the preceding section is that for a number of reasons government policy has not achieved, in even a minimal way, the goals for which it was defined. The Economic Council, in *Living Together*, begins by asking whether or not regional disparities exist. After years of research they conclude with the following:

> All this being said, we are impressed that no amount of juggling with statistics can lead any reasonable person to deny that economic well-being is sharply affected by the region in which one happens to be born or brought up. In short, disparities are real.

The Council also adds that "The Atlantic provinces remain poor no matter how one looks at income".

There is no question that the whole range of federal government transfers have been substantially responsible for containing disparities within Canada. The fact that fifty percent of Prince Edward Island's provincial government revenues come through federal transfers testifies to this. In addition, in a province where total government expenditures are equal to almost ninety percent of the gross provincial product, it is hard to argue against the value and necessity of such programs.

What is of continuing concern is that such dependency places provinces in an extremely vulnerable position. In periods of economic crisis and increasing federal deficits the possibility of reductions in federal transfers places the poorer provinces in a precarious position.

The most critical conclusion arising out of this discussion is that the whole set of federal and joint federal-provincial programs appears to have done little to provide an environment in which long-term social and economic development can take place. There is no suggestion that the task of discovering ideas and policies which would guarantee long-term development is an easy one. In order to achieve this task much of the conventional wisdom inherent in economic analysis and policy has to be discarded and new innovative ideas accepted. In addition, the solutions to Canada's problems demands the good will and cooperation of all levels of governments.

REGIONAL ECONOMIC POLICY AND THE CASE OF PRINCE EDWARD ISLAND

Prince Edward Island has been unique in its regional policy having signed in 1969 a fifteen-year Comprehensive Development Plan. At the same time the rest of the provinces were signing shorter term general development agreements. The agreement between the province and the federal government was a direct outcome of the establishment of the Department of Regional Economic Expansion in 1968.

The purpose of DREE was to encourage economic development in defined underdeveloped areas of the country, to provide incentives for industrial location in these areas, and to assist in the social adjustment required to enable people of an area to take advantage of any new opportunities created.

Despite the fact that significant criticism has been leveled at DREE and its approach to regional disparities, the Comprehensive Development Plan and other DREE programs were among the first to attempt to redress the imbalance of the Canadian federation. The DREE efforts in Prince Edward Island were more than economic. The Comprehensive Development Plan was designed as an experiment to transform the society both economically and socially.

There has not been a sophisticated evaluation of the success or failure of the Comprehensive Development Plan. However, we think it appropriate to bring before your Commission some general indications of some of the effects of this fifteen-year program of social and economic development. What follows is a brief summary of some of the important indicators.

1. **INCOME**

In the early 1960s, P.E.I.'s personal income per capita was 59 percent of the Canadian average. Between 1961 and 1979 personal income per capita in P.E.I. in constant dollars increased by 137 percent, compared to a national increase of 100 percent. Thus by 1979 the income level in P.E.I. had risen to 70 percent of the Canadian average. However, an analysis of the components of personal income over time reflects more about the structure of the economy and the source of the income growth. Table 1 shows the personal income growth in P.E.I., by component, from 1951 to 1981.

TABLE 1
Personal Income Growth on P.E.I., by Component
1971 Constant $

	1961	% Increases, 5 year periods				1981
	% Total	1961-66	1966-71	1971-1976	1976-1981	% Total
Wages and Salaries & Supple. Income	52.0	+30.2	+45.3	+50.8	+7.1	52.5
Military Pay and All.	4.9	+79.1	+8.3	+3.1	-30.6	2.3
Net Income, Farmers	6.8	-3.2	-5.6	+57.6	+56.0	5.1
Net Income Uninc. Business	13.7	+15.5	+25.0	-10.4	+4.5	6.1
Interest, Dividends & Investment Income	4.9	+61.2	+29.6	+60.1	+81.4	10.7
Total Earned Income	**82.3**	**+29.8**	**+35.1**	**+41.2**	**+13.9**	**76.7**
Government Transfers	17.6	+34.6	+51.7	+67.1	+13.9	22.6
Total Personal Income	**100.0**	**+31.5**	**+38.3**	**+46.5**	**+13.6**	**100.0**
Population Growth		**+3.7%**	**+2.9%**	**+5.9%**	**+3.6%**	

Source: Stats Can. 13-201, converted to constant $ using the Canadian Consumer Price Index.

There are two points of significance in Table 1. The first is that all of the "economic" sectors, except that of interest, dividends and investment, either contributed equally or less to personal income in 1981 than they did in 1961. As a result the earned income component, which best reflects economic and social progress, declined from 82.3 percent of personal income to 76.7 percent of personal income. The difference was made up by increases in transfer payments during the period.

Canada's income statistics show that P.E.I.'s position, both absolutely and relative to Canada, has improved over the past twenty years. However, it also shows an increasing reliance and dependence on government transfer payments.

2. GROSS DOMESTIC PRODUCT

The patterns in the real gross domestic product of P.E.I. relative to Canada are even less satisfying. Although the provincial output increased significantly during the same twenty-year period, the per capita output is extremely low relative to Canada. In the early 1960s the gross domestic product per person in P.E.I. was 49 percent of the Canadian average; in twenty years it had only increased to 51 percent of the national average. Comparing the income figures we find the province in the position that personal income is presently 110 percent of gross domestic product.

3. INVESTMENT

Capital investment has long been thought of as one of the most important contributors to economic growth. Indeed, a significant part of the Comprehensive Development Plan was directed toward increasing investment. It was assumed by the economic planners in the first stage of the Plan that if sufficient infrastructure could be established in the province that the basis would be laid for future economic growth. Table 2 shows a comparison of capital investment between Canada and P.E.I. in 1980.

TABLE 2
Per Capita Capital Investment 1980
New Construction and Machinery & Equipment

	Canada	P.E.I.	PEI/Canada
Agriculture & Fishing	186	n.a.	
Forestry	14	n.a.	
Mining, Oil	351	n.a.	
Construction	46	n.a.	
Sub Total	**597**	**352**	**59.0%**
Manufacturing	405	31	7.7%
Transportation, Communications & Utilities	531	323	60.8%
Trade, Wholesale & Retail	72	51	70.8%
Finance, Insurance & Real Estate	151	46	30.5%
Commercial Services	173	50	28.9%
Institutions	89	219	246.1%
Government Depts.	276	338	122.5%
Housing	458	274	59.8%
Total New Construction	1,669	1,100	65.9%
Machinery & Equip.	1,082	585	54.1%
Total	**2,751**	**1,685**	**61.3%**

Investment statistics paint a more depressing picture of the P.E.I. economy. Assuming capital investment is important in economic growth, the situation explains a significant part of the reason why the province's output levels per capita are only one-half of the Canadian average. Again, it is significant that only government and institutional (funded by government) investment is positive. Manufacturing stands out as a particularly poor case, relative to Canada.

Comparative investment statistics show how badly P.E.I. ranks relative to other selected provinces. Table 3 shows the dependency on government and institutional investment. In terms of government investment, P.E.I. ranks higher than the other provinces.

TABLE 3
Per Capita Capital Stock, 1980, by Industry

	P.E.I.	N.S.	Ontario	Sask.	Alberta
Manufacturing	250	1,453	2,317	499	1,411
Primary & Construction	877	936	777	4,605	7,103
Transportation	104	367	679	1,381	1,340
Communications	436	495	562	597	883
Utilities	492	978	1,513	1,363	1,374
Trade	269	311	413	538	494
Institutions	977	887	817	929	1,055
Finance	352	440	693	387	1,143
Commercial Services	227	295	520	362	741
Government Departments	2,653	2,249	1,866	2,533	2,607

The lack of investment appears more significant when it is realized that the per capita investment in P.E.I., as a percentage of Canada, has dropped from 70 percent in 1971 to 42 percent in 1981.

4. PRODUCTIVITY

The level of productivity is related to the gross domestic product, investment and income levels. Although productivity is difficult to measure accurately, from most interpretations the productivity levels are lower in Prince Edward Island than in any other province in the country and have hardly changed relative to the Canadian average for the past ten years. The output per worker (Real Domestic Product/Employment) for Prince Edward Island in 1972 was $6,583 compared with a Canadian average value of $10,561. In 1982 the comparable figures were $6,957 and $10,837. In terms of percentages the value of output per worker was 62 percent of Canada's in 1972 and 64 percent in 1982. The productivity levels are worse if one considers only the goods producing sectors. In 1980 Prince Edward Island's gross domestic product per worker was 46 percent of the Canadian average. The general situation appears to be low output per worker, low earnings and relatively higher utilization of labour relative to Canadian averages. It also appears that our position relative to Canada has changed little over the past ten years.

5. GOVERNMENT SPENDING IN P.E.I.

Government expenditures in P.E.I. are heavily supported by the federal government such that total government expenditures per capita on P.E.I. are 15 percent higher than the national average. Statistics are provided in Table 4. Total government expenditures per capita in P.E.I. in 1981 valued $6,441, of which $3,037 or 47.1 percent was spent by P.E.I. provincial and local governments. 48.9 percent of that amount was provided by federal transfers. Total federal spending equaled $4,890 per capita, or 168 percent of the Canadian average of federal spending.

TABLE 4
Total Govt. Spending by Province, per Capital, 1981

	(1) Provincial/ Local Hospitals $	(2)=(1) Less Fed. Transfers to Province $	(3) Federal Total $	(3)+(2) Total $
Newfoundland	2,970	1,688	3,787	5,475
P.E.I.	3,037	1,551	4,890	6,441
N.S.	3,148	2,056	5,124	7,180
N.B.	2,814	1,716	4,334	6,050
Quebec	3,684	3,003	2,797	5,800
Ontario	2,865	2,485	2,858	5,343
Manitoba	3,061	2,241	3,145	5,386
Saskatchewan	3,394	2,821	2,450	5,271
Alberta	3,780	3,383	1,874	5,257
B.C.	3,184	2,779	2,205	4,984
Total	**3,257**	**2,679**	**2,908**	**5,587**

	Prov./ Local as % Total	Own Source as % of Prov./ Local	Total Spending As % Canadian Avg.	Fed.	Prov./ Local
Newfoundland	54.2	56.8	98.0	130.2	91.2
P.E.I.	47.1	51.1	115.3	168.1	93.2
N.S.	43.8	65.3	128.5	176.2	96.7
N.B.	46.5	61.0	108.3	149.0	86.4
Quebec	63.5	81.5	103.8	96.2	113.1
Ontario	53.6	86.7	95.6	98.3	88.0
Manitoba	56.8	73.2	96.4	108.1	94.0
Saskatchewan	64.4	83.1	94.3	84.3	104.2
Alberta	71.9	89.5	94.1	64.4	116.1
B.C.	63.9	87.3	89.2	75.8	97.8
Total	**58.3**	**82.3**	**100.0**	**100.0**	**100.0**

Total provincial/local expenditures per capita in P.E.I. in 1981 were 93.2 percent of the Canadian average, only ahead of Newfoundland, New Brunswick and Ontario. Locally generated revenue (including borrowing) to pay for these services valued $1,551 per capita, or 57.9 percent of the Canadian average, the lowest in the nation. Thus one finds that P.E.I. has the second highest government spending per person in Canada and the lowest provincial revenue generating ability in the country. In 1981 only 42 percent of government expenditures in the province were generated in the province. What is more

astounding is a comparison of private sector activity with public sector activity. Here we find that total government expenditures are 87 percent of the value of the gross domestic product and this percentage has significantly increased over time.

Table 5 shows where the federal government spends its money in P.E.I.

TABLE 5
Federal Spending on P.E.I.

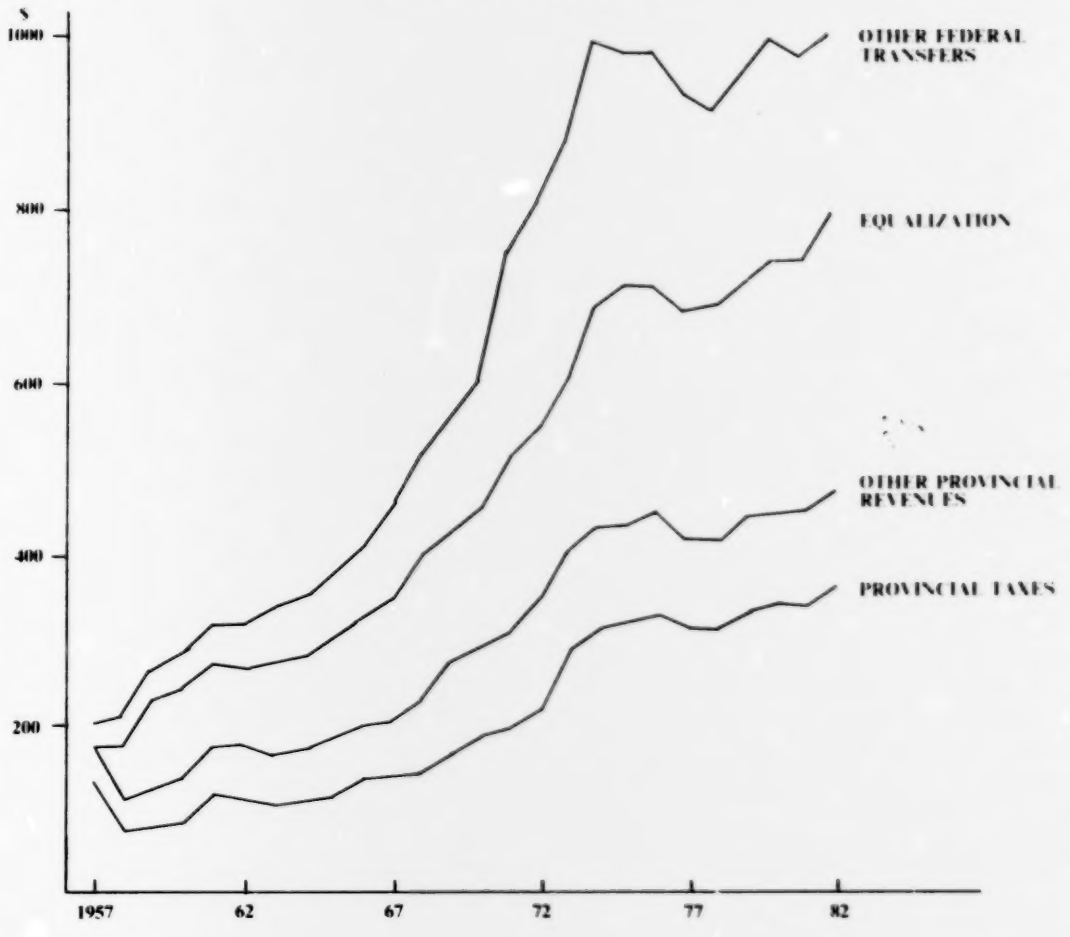
Current $ millions	**1961**	**1971**	**1981**
Goods & Services	16	33	130
Transfers to Persons	15	35	154
Transfers to Prov. Govt.	12	53	182
Other Transfers	1	6	95
Interest	1	6	27
Total Current	**45**	**133**	**588**
As % GDP of P.E.I.	**39.5%**	**51.9%**	**67.0%**

Table 5 not only shows the absolute magnitude of provincial dependency, but reflects the increasing percentage that federal spending is of our gross provincial product. In a twenty-year period we have seen the federal government's share of gross domestic product increase by 27 percent.

Equalization payments are easily the largest single revenue source for the province, dominating both our source revenues as well as transfer payments to the province. In 1981-82 payments under equalization were equivalent to 91 percent of the value of all provincial taxes paid on Prince Edward Island and represented approximately two-thirds of the value of all federal transfers to the provincial government that year.

Diagram 1 shows the ordinary revenues of the P.E.I. government in constant dollars on a per capita basis since 1957. This diagram clearly demonstrates the large increase in equalization that occurred from the late 50s to the present. In 1961-62, for every dollar of own source revenues earned in P.E.I. the province received 47 cents of equalization. By 1980-81 equalization was worth 64 cents for each dollar of our own source revenues. Equally important, the total revenues of the government of P.E.I. have been increasingly squeezed since 1975 because of the reduction in constant dollars in "other federal transfers," notably under the Comprehensive Development Plan.

DIAGRAM 1
PER CAPITA ORDINARY REVENUES
OF PROVINCIAL GOVERNMENT
PROVINCE OF P.E.I.
CONSTANT 1971 DOLLARS



Despite all of the uncertainty and controversy surrounding the issue of economic growth and development, there are some things which can be accepted, based on the experience of Prince Edward Island over the past fifteen years.

1. In pure economic terms the absolute standard of living for Islanders has increased tremendously over the period.

2. Prince Edward Island's position over the last fifteen years in terms of its per capita income, relative to the national average, has improved significantly.

3. The most important gain in personal income has been in the unearned component and not the earned component. Therefore, the stimulus has been government spending and not private economic development.

4. Most economic indicators, other than personal income, reflect the fact that relative to Canada we are worse off now than we were fifteen years ago.

5. Prince Edward Island is more dependent upon federal funding mechanisms at the present time than anytime in previous history.

6. Judged on the basis of its own explicitly defined objective, "to make Prince Edward Island economically self-sufficient by 1984," the Comprehensive Development Plan has been a failure.

The conclusions may appear harsh. However, even the Department of Regional Economic Expansion has concluded that their programs have been unsuccessful. In 1977 a DREE document entitled *The New Approach* concluded that "The programs were not in themselves enough to alter the trend toward increased economic activity in the industrial heartland of the country."

What DREE has implied in the above statement is consistent with the position put forth throughout this section of the submission. It is that the forces in the country which tend to result in the centralization of economic activity are extremely strong. The above statement by DREE suggests that spreading approximately a billion and a half dollars throughout the disadvantaged areas of the country has not been sufficient to accomplish their goals.

The existing tendency of the centralization of economic activity has made it appear almost impossible to promote industrial growth. Almost every provincial government, in conjunction with federal agencies, has at one time or another attempted to find a mega-project which would result in the end of dependency. Although there have been some successes there also have been notable failures. Newfoundland had its Labrador Linerboard plant and the bankruptcy of the Come-by-Chance refinery. Between the two, the province lost $250 million. Nova Scotia had its heavy water plant and New Brunswick the Bricklin sports car. Nova Scotia ended up with an inoperable heavy water plant for which it had paid $150 million and New Brunswick was in possession of a bankrupt plant and a loss of $23 million.

These examples are not meant to suggest incompetence, only desperate attempts by the provinces and the federal government to stimulate development in the face of impossible odds, including an environment which is not conducive to industrial location and the lack of a coherent national policy. As Tom Kent, the former Deputy Minister of DREE, concluded,

> DREE cannot be expected to plan good regional development strategies unless there is a national industrial strategy of which regional programs are part and with which they can be coordinated. We do not have such a strategy.

Unlike any other province in Canada, Prince Edward Island has no resources except for its land, its water and its people. It is unlikely that the potential exists to discover valuable oil or gas deposits as so many other provinces are betting will alleviate their depressed situation.

As discussed previously the policies of DREE have not resulted in the establishment of an environment which is conducive to long-term economic development in Prince Edward Island. This does not mean there have not been beneficial results of DREE programs. The infrastructure that was established in Prince Edward Island was a necessary requirement for development to take place. The improvement in our highway systems, and the construction of docks, wharves and education facilities all were necessary improvements. However, the province is no more self-sufficient now than in 1969 when the Plan originated. The fact that some economic indicators such as personal incomes have shown improvement does not necessarily reflect development in the real sense of the term. For example, Prince Edward Island is presently experiencing what some refer to as an economic mini-boom. However, the accepted reason for the increased economic activity is construction and expansion of the Charlottetown Airport, the arrival of the Department of Veterans Affairs in the Province and the construction of a convention centre. Most of this "development" consists of government funds being poured into the province which does little to create conditions for long-term development. These activities have little effect on primary and secondary industry in the province. What needs to be done to stimulate long-term development is to orient policies toward those factors which make the environment hospitable for entrepreneurs. The factors which most seriously inhibit development have to do with transportation costs and energy costs. These problems are fundamental for any possibility for long-term improvement. However, a solution to either problem is largely beyond the jurisdiction of the provincial government. Both the intolerably high energy costs and transportation costs exist because of a past national policy and/or the lack of a new national policy. The transportation problem is not a provincial problem, it is a Canadian problem and it does not appear solvable independent of national decisions being made.

It will be remembered that the Atlantic Provinces Economic Council stated that transportation was mentioned continually in fourteen Royal Commissions from 1926 to 1957 and the problem was still unresolved. It is worth quoting from the report of the Royal Commission on Canada's Economic Prospects (1957) to see the degree to which this issue has been taken seriously. In a reference to problems with the transportation system in the Atlantic region, the Commission stated that

> ...it was not possible for us to undertake the kind of detailed study of the problems necessary in order to make positive proposals about the most appropriate measures which should be taken in order to provide solutions.

In its submission to the same Commission, the Government of P.E.I. took the following position.

> The natural conditions in the province are suitable and the quality of the products is high. The processing and marketing functions, however leave much to be desired, for here the Island suffers from its most important difficulty, transportation.

P.E.I. will never have an environment conducive to increased economic activity without a new National Policy which corrects the effects of the last national policy.

The excessively high costs of energy is another factor which has to be reduced or stabilized in order to improve the economic environment. A kilowatt hour of electricity in Prince Edward Island cost an average of 11.85 cents in 1982. Comparable figures were about 3.2 cents per kilowatt hour in Quebec, about 4.5 cents in New Brunswick and 5.1 cents per kilowatt hour in Nova Scotia. Both existing industries and industries interested in locating in the province have great difficulty in maintaining their economic viability and competing with even our sister provinces. There are a number of reasons for the large differentials in cost. The province is small and has an economy based primarily on agriculture, the fishery, and tourism. There is little large industry. As a result, the electrical load is dispersed and costly to serve. However, the greatest single factor contributing to the high cost of electricity is the fact that the province does not possess any significant economically viable energy resources. As a result, electricity must be produced either from expensive oil or imported from the mainland. Fuel and purchased power alone cost 5.4 cents for every kilowatt hour sold in 1982.

Solutions to this problem involve revision of the pricing formula or alternatively, access to electrical power priced on a different basis. It is likely that the only long-term solution to the electrical costs in this province will involve the purchase of electricity from sources beyond the boundaries of the immediately adjacent provinces. Access to this power involves wheeling of the power through the transmission system at a neighbouring utility. As the submission to your Commission by Maritime Electric has stated:

> If one reviews industry practices with respect to interprovincial power sales in the broad national context the following questions must surely be asked. Should the transmission of electricity across provincial boundaries be controlled by provincial interests and at times frustrated by interprovincial disputes? Is the national interest served by the present fragmented approach to bulk power interchanges? Is a philosphy of opportunity cost pricing for power interchanges appropriate where geography effectively results in a monopoly for the selling utility? Does such a monopoly create the need for regulation?

In 1978 the Federal Power Act was amended in the United Stats to give the Federal Energy Regulatory Commission the authority to order "any person or state agency which sells electric energy to wheel power upon a proper showing of need by an applicant for relief."

Interprovincial electricity transactions are a matter of national interest, for they will influence the extent of economic and fiscal disparities between provinces and they will affect the distribution of the advantages and burdens of national development.

The terms of reference of your Commission refer to Canada's commitment to "the reduction of economic disparities between regions and the fair distribution of the advantages and burdens of Canadian economic development." There is a need for changes but change can only take place through the exercise of political decisions at the highest level, a decision which will contribute to the nation. It does not appear that this process at the national level is possible, given the present configuration of our national institutions.

Thus a new national policy has to include national energy and transportation policies which will equalize the opportunities for all provinces. On this issue the late Harry Johnson, probably the most able economist Canada ever produced, stated in an article entitled "Some Comments on a National Economic Policy" that,

> ...any national policy must be genuinely national and genuinely Canadian, and not merely a policy of Central-Canadian imperialism presented in the name of Canadian nationalism and based on outworn European concepts of what a nation should be...

We would suggest to your Commission that the recent "reorganization (January, 1982) for economic development," i.e., the establishment of the Ministry of State for Economic and Regional Development is not only a step backward from what we are suggesting, but the continuation of an *ad hoc* approach to the economic development of the provinces. The new federal policy of unilateral programming, or what MSERD calls "direct" or "parallel" delivery of programs is likely to be prejudical to the development of a more innovative approach to the regional problems Canada faces. The argument that the Minister responsible uses for the new approach is potentially dangerous..

> The two levels of government have different responsibilities related to economic development under the constitution. It seems to me to follow quite logically that the delivery of economic programming will often be conducted separately by each government acting in its own sphere of responsibility.

There is some danger that the Minister responsible for MSERD has accepted the Prime Minister's position that "co-operative federalism is dead".

We believe strongly that regional development programs must be a result of a strong co-operative process between federal and provincial governments.

The industries of Prince Edward Island have great difficulty competing with other provinces because of energy and transportation costs. The programs carried out by DREE and other development agencies cannot attack these problems. To the extent they do not, the programs are superficial. DREE and MSERD programs are more than anything else an effort to "counteract" the bad national policy of the past and the lack of national policy at present.

Some would say that the province of Prince Edward Island has done very well by Confederation. This would especially be the case for those who see in our increasing incomes great progress. We would prefer, however, to judge our success by more important indicators. Development is not just increasing incomes but a process of human development. A more secure material position in life can contribute to development but not guarantee it, as is witnessed by various social indicators ranging from suicide rates to divorce rates.

In conclusion we would like to impress upon your Commission our view of development as expressed by an African economist, K.K.S. Dadzie, in 1980 whose perspective is not unlike our own.

The theory of economic development in academic economics and the practice of economic assistance by the industrial countries took no account of the political and cultural considerations. Development was a matter of things to be attained by capital accumulation, infrastructure building, management training, etc. The two decades of development and disappointment have shown that these things and processes may underpin development but they do not constitute the whole or even the most critical part of it. Development is the unfolding of people's individual and social imagination in defining goals and inventing ways to approach them. Development is the continuing process of the liberation of peoples and societies. There is development when they are able to assert their autonomy and, in self-reliance, to carry out activities of interest to them. To develop is to be or to become. Not only to have.

SUMMARY AND CONCLUSIONS

There is little doubt that since the early 1970s significant political and economic events have taken place in Canada. The changes are primarily characterized by an increasing degree of hostility and rancour between all levels of government, a lack of co-operation and an increasing degree of regionalism of an undesirable type. Economically, Canada is experiencing the worst economic difficulties since the 1930s and facing an economic future which is not favourable.

In recent history we have experienced the Province of Quebec seriously considering leaving the Confederation, the movement for western independence and British Columbia frequently wondering about the possibility of becoming a state of our neighbour to the South. Alberta economists have recently done studies of the costs and benefits of Confederation and concluded that, "at the moment Canada makes little economic sense. We pay a price, in other words, for our continued membership and growing numbers of people are coming to the conclusion that the cost is just no longer worth it". The Government of Quebec's document *Quebec Economic Accounts* yields similar conclusions for that province. In the Ontario budget of 1977 a similar study was done with the conclusion that Ontario was a net fiscal contributor to the Canadian federation and more explicitly, "on balance, from a purely economic point of view, Ontario (and a few other provinces) undoubtedly face economic costs attributable to Confederation." In Prince Edward Island and the other Atlantic Provinces there has continued the argument that they are being exploited by the rest of the country.

The mood of the times has been characterized by extreme pessimism with regard to a future for Canada. The Constitutional talks themselves were so torn by competing visions of nationalism, regionalism and federalism that our collective future together was in some doubt. The plethora of books published on Canada suggests the gravity of the situation: *Canada in Question; Option: Quebec, Must Canada Fail?; The Precarious Homestead; Unfulfilled Union; The Roots of Disunity; Canada and the Burden of Unity; Divided Loyalties; Western Separatism.*

From all of the above evidence it would be impossible for one not to conclude that the federation was in serious difficulty. It would be easy to say, and often is, that the problem of Canada is simply one of the provinces increasingly flexing their muscles and fomenting trouble on the basis of what they perceive as their own economic self-interests. It has been the position consistently taken throughout this submission that the more fundamental and important considerations are those outlined in the following points.

1. The institutions of Canada are correctly interpreted in the mandate of your Commission to be of crucial importance.

2. Effective economic and social policy in Canada requires a national consensus.

3. A national consensus has to be a result of combined federal and provincial views.

4. An enduring and acceptable federal consensus can only be arrived at by a federal government that is seen to represent all provinces.

It is our position that the present structure of Canada's political institutions do not engender confidence in the minds of the Canadian public; they are not seen to be representative and therefore the posibility of any national economic and social policy designed to provide solutions to our existing problems will not be forthcoming. The challenge for Canada is two-fold; to establish true democratic decision-making in the country and to provide an environment in which economic activity can take place. The two are not unrelated. The significant real cost of not accomplishing this task is not high unemployment, not inflation, not technological inferiority but a further disintegration of the federation and a national paralysis. To continue in this direction is futile.

We do not see significant improvement. What we do see, to an increasing extent is the continual establishment of additional non-parliamentary institutions attempting to make national decisions. For example, there has been an increasing demand for institutionalized First Ministers' meetings. In at least one submission to the Commission it has been suggested that the institution of the First Ministers' Conference be formally recognized in the Constitution of Canada. While we accept that First Ministers' Conferences are valuable, and a legitimate forum for annual or semi-annual discussions of Canada's problems, we also fear that they could develop into yet another non-parliamentary institution which would become a substitute for genuine federalism.

We do not underestimate the complexities of our present economic and political situation; nor do we underestimate the task and the challenge placed before your Commission. The mandate of your Commission is immense and includes virtually every aspect of Canadian society. The last great effort which can be compared to yours was the Rowell-Sirois Royal Commission. We sincerely hope that your Commission will include a vision of Canada as broad and meaningful as that of the Rowell-Sirois Commission.

It is our hope that we have contributed to your task and to the future of the Canadian federation. We look forward to responding to *Challenges and Choices* in the near future.

Number/
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STATEMENT BY THE HON. JAMES M. LEE

TO THE

ROYAL COMMISSION ON THE ECONOMIC UNION

AND

DEVELOPMENT PROSPECTS FOR CANADA

TORONTO 9 DECEMBER 1983

36.5

MR. CHAIRMAN, AND COMMISSIONERS

I AM HAPPY TO APPEAR BEFORE THIS ROYAL COMMISSION AND PRESENT TO YOU OUR VIEWS ON BEHALF OF THE GOVERNMENT OF PRINCE EDWARD ISLAND. YOU HAVE ALREADY HEARD FROM REPRESENTATIVES OF MANY GROUPS FROM OUR PROVINCE AND WE LOOK FORWARD TODAY TO ADDING TO THOSE VIEWS PREVIOUSLY EXPRESSED.

THE TIMING OF THE ESTABLISHMENT OF THIS COMMISSION IS EXTREMELY APPROPRIATE. THERE HAS NOT BEEN AN EXTENSIVE STUDY OF THE CANADIAN ECONOMIC AND POLITICAL SYSTEM SINCE THE ROWELL-SIROIS ROYAL COMMISSION. THERE ARE MANY SIMILARITIES BETWEEN THE TWO ROYAL COMMISSIONS.

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THE ROWELL-SIROIS COMMISSION WAS ESTABLISHED DURING THE GREAT DEPRESSION OF THE 1930S WHEN OUR COUNTRY APPEARED TO BE IN COMPLETE DISARRAY. YOUR TASK TODAY, TO EXAMINE THE ECONOMIC UNION AND THE DEVELOPMENT PROSPECTS FOR CANADA, ALSO COMES AT A TIME WHEN CANADIANS ARE SUFFERING FROM ECONOMIC AND POLITICAL DISARRAY AND ANTICIPATING AN UNCERTAIN FUTURE.

IN ADDITION, THE TERMS OF REFERENCE OF THE ROWELL-SIROIS ROYAL COMMISSION WERE SUCH THAT THEY ALLOWED THE COMMISSION TO INQUIRE INTO VIRTUALLY ALL ASPECTS OF CANADIAN ECONOMIC AND POLITICAL LIFE. IF ANYTHING, THE TERMS OF REFERENCE OF THIS ROYAL COMMISSION ARE EVEN BROADER. THE ESTABLISHMENT OF YOUR ROYAL COMMISSION IS A REFLECTION THAT OUR ECONOMIC, POLITICAL AND SOCIAL SYSTEMS NEED TO BE RE-EVALUATED. AS THE ROWELL-SIROIS COMMISSION REFLECTED

THE STRAIN ...

THE STRAIN OF THE 1930s, SO THE ESTABLISHMENT OF THIS COMMISSION REFLECTS THE STRAINS TO WHICH CANADA HAS BEEN SUBJECTED BY THE POLITICAL AND ECONOMIC EVENTS OF OUR RECENT PAST. THE FEDERATION DOES FACE SERIOUS PROBLEMS AND IT IS OUR HOPE THAT WE, THROUGH OUR DISCUSSIONS TODAY, CAN IN SOME SMALL WAY CONTRIBUTE TO A SOLUTION TO THOSE PROBLEMS.

IT WOULD BE IMPOSSIBLE TO ADDRESS ALL THE ISSUES WHICH YOU HAVE BEEN REQUESTED TO EXAMINE. WE SUSPECT THAT EVEN WITH THE TIME YOU HAVE BEEN ALLOWED, WITH THE RESOURCES YOU HAVE AVAILABLE, THAT ON OCCASION YOU FIND YOUR TASK OVERWHELMING.

IT IS FOR THAT REASON THAT WE HAVE EXPLICITLY ISOLATED A FEW AREAS WITHIN THE COMMISSION'S TERMS OF REFERENCE AND ATTEMPTED TO DEAL WITH THEM IN SOME DETAIL. OUR CHOICE, HOWEVER WAS NOT HAPHAZARD, NOR WAS IT ACCIDENTAL.

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WE HAVE CHOSEN TO DEAL WITH PRINCIPLES WHICH WE BELIEVE ARE FUNDAMENTAL TO A REALIZATION OF CANADA'S POTENTIAL. WE HAVE CHOSEN NOT TO ADDRESS SOME OF WHAT ARE INTERPRETED TO BE THE SERIOUS ECONOMIC ISSUES OF THE DAY. YOU WILL NOT FIND IN OUR PREVIOUSLY SUBMITTED BRIEF LENGTHY DISCUSSION AND ANALYSIS OF UNEMPLOYMENT, TECHNOLOGICAL COMPETITIVENESS, INFLATION AND INTERNATIONAL TRADE PROBLEMS. IT IS NOT BECAUSE WE SEE THESE ISSUES AS BEING UNIMPORTANT. INSTEAD, WE ARE QUITE SURE, AND TO THIS DATE IT HAS BEEN VERIFIED, THAT THESE ARE TOPICS THAT WILL NOT ONLY BE EMPHASIZED BY OTHER INDIVIDUALS, GROUPS AND GOVERNMENTS BUT ALSO BY YOUR COMMISSION IN THE SUPPORTING STUDIES WHICH YOU HAVE DIRECTED TO BE RESEARCHED.

THE TERMS OF REFERENCE OF THIS ROYAL COMMISSION ARE EXPLICIT, AND ARE QUITE CORRECT, IN EMPHASIZING THE IMPORTANCE OF AN EXAMINATION OF CANADA'S INSTITUTIONS.

...../5

THE TERMS OF REFERENCE ASK YOU TO RECOMMEND "... THE APPROPRIATE INSTITUTIONAL AND CONSTITUTIONAL ARRANGEMENTS TO PROMOTE THE LIBERTY AND WELL-BEING OF INDIVIDUAL CANADIANS". IN ADDITION, YOU HAVE BEEN REQUESTED TO INQUIRE INTO "... THE ALLOCATION OF FISCAL AND ECONOMIC POWERS AMONG LEVELS OF GOVERNMENT, THE WAY THAT CANADIANS ARE REPRESENTED IN NATIONAL INSTITUTIONS AND HOW THEY MIGHT BE BETTER REPRESENTED". THESE ARE THE AREAS WITHIN YOUR MANDATE ON WHICH WE HAVE CONCENTRATED IN OUR SUBMISSION.

THE POSITION TAKEN BY THE GOVERNMENT OF PRINCE EDWARD ISLAND IS THAT OUR PRESENT AND FUTURE ECONOMIC AND SOCIAL PROBLEMS WILL NOT BE SOLVED UNLESS WE REFORM OUR INSTITUTIONS. WE ARGUE THAT CANADA'S INSTITUTIONAL SYSTEM IS NOT CONDUCIVE TO PROBLEM-SOLVING; INDEED IT GENERATES AND INTENSIFIES PROBLEMS AND CREATES ANIMOSITY AMONG MOST GROUPS WITHIN THE FEDERATION.

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THERE IS LITTLE DOUBT THAT SINCE THE EARLY 1970S SIGNIFICANT POLITICAL AND ECONOMIC EVENTS HAVE TAKEN PLACE IN CANADA. THE CHANGES ARE CHARACTERIZED PRIMARILY BY AN INCREASING DEGREE OF RANCOUR BETWEEN ALL LEVELS OF GOVERNMENT, A LACK OF CO-OPERATION AND AN INCREASING DEGREE OF REGIONALISM AND CENTRALISM OF AN UNDESIRABLE NATURE.

THE MOOD OF THE TIMES HAS BEEN CHARACTERIZED BY EXTREME PESSIMISM WITH REGARD TO A FUTURE FOR CANADA. THE CONSTITUTIONAL TALKS THEMSELVES WERE SO TORN BY COMPETING VISIONS OF NATIONALISM, REGIONALISM AND FEDERALISM THAT OUR COLLECTIVE FUTURE TOGETHER WAS IN SOME DOUBT.

THE NUMBER OF BOOKS PUBLISHED ON CANADA SUGGESTS THE GRAVITY OF THE SITUATION: CANADA IN QUESTION; OPTION: QUEBEC; MUST CANADA FAIL?; THE PRECARIOUS HOMESTEAD; UNFULFILLED ...

UNFULFILLED UNION; THE ROOTS OF DISUNITY; CANADA AND THE BURDEN OF UNITY; DIVIDED LOYALTIES; WESTERN SEPARTISM.

FROM ALL OF THE ABOVE EVIDENCE ONE COULD READILY CONCLUDE THAT THE FEDERATION WAS IN SERIOUS DIFFICULTY. IT WOULD BE EASY TO SAY, AND OFTEN IS, THAT THE PROBLEM OF CANADA IS SIMPLY ONE OF THE PROVINCES INCREASINGLY FLEXING THEIR MUSCLES AND FOMENTING TROUBLE ON THE BASIS OF WHAT THEY PERCEIVE AS THEIR OWN ECONOMIC SELF-INTERESTS. IT IS OUR POSITION THAT THE MORE FUNDAMENTAL AND IMPORTANT CONSIDERATIONS ARE THOSE OUTLINED IN THE FOLLOWING POINTS.

1. THE INSTITUTIONS OF CANADA ARE CORRECTLY INTERPRETED IN THE MANDATE OF YOUR COMMISSION TO BE OF CRUCIAL IMPORTANCE.

..../8

2. EFFECTIVE ECONOMIC AND SOCIAL POLICY IN CANADA REQUIRES A NATIONAL CONSENSUS.

3. A NATIONAL CONSENSUS HAS TO BE A RESULT OF COMBINED FEDERAL AND PROVINCIAL VIEWS.

4. AN ENDURING AND ACCEPTABLE FEDERAL CONSENSUS CAN ONLY BE ARRIVED AT BY A FEDERAL GOVERNMENT THAT IS SEEN TO REPRESENT ALL PROVINCES.

THE PRESENT STRUCTURE OF CANADA'S POLITICAL INSTITUTIONS DOES NOT ENGENDER CONFIDENCE IN THE MINDS OF THE CANADIAN PUBLIC; OUR INSTITUTIONS ARE NOT SEEN TO BE REPRESENTATIVE AND THEREFORE THE POSSIBILITY OF ANY NATIONAL ECONOMIC AND SOCIAL POLICY DESIGNED TO PROVIDE SOLUTIONS TO OUR EXISTING PROBLEMS WILL NOT BE FORTHCOMING. THE CHALLENGE FOR CANADA IS TWO-FOLD; TO ESTABLISH TRULY NATIONAL DECISION-MAKING IN THE COUNTRY, AND TO PROVIDE AN ENVIRONMENT IN WHICH ECONOMIC ACTIVITY CAN TAKE PLACE. THE TWO ARE NOT

UNRELATED...

UNRELATED. THE SIGNIFICANT REAL COST OF NOT ACCOMPLISHING THIS TASK IS NOT HIGH UNEMPLOYMENT, NOT INFLATION, NOT TECHNOLOGICAL INFERIORITY BUT A FURTHER DISINTEGRATION OF THE FEDERATION AND A NATIONAL PARALYSIS.

OUR ANSWER TO THE COMMISSION'S QUESTION AS TO WHETHER OUR INSTITUTIONS ARE FLEXIBLE AND ADAPTABLE IS THAT THEY ARE NOT. WE CANNOT PRETEND TO DEAL SUCCESSFULLY WITH THE ISSUES FACING US UNTIL WE DISCOVER A PROCESS BY WHICH WE CAN MAKE EFFECTIVE NATIONAL DECISIONS.

I BELIEVE THAT IT IS EXTREMELY DIFFICULT, IF NOT IMPOSSIBLE, TO UNDERSTAND MANY OF THE DIFFICULTIES WE FACE AT PRESENT WITHOUT AN UNDERSTANDING OF THE HISTORICAL EVOLUTION OF OUR PRESENT INSTITUTIONS AND OF FEDERAL/PROVINCIAL RELATIONS IN GENERAL. IT IS FOR THAT

REASON THAT OUR SUBMISSION GOES TO SOME LENGTH IN OUTLINING THIS HISTORY.

IT IS BOTH APPROPRIATE AND MEANINGFUL TO EMPHASIZE THE RESULTS OF A STUDY WHICH WAS COMMISSIONED BY THE ATLANTIC PROVINCES ECONOMIC COUNCIL (APEC) IN 1960. AT THAT TIME THE INSTITUTE OF PUBLIC AFFAIRS AT DALHOUSIE UNIVERSITY WAS ASKED TO EXAMINE HOW PAST ROYAL COMMISSIONS HAD DEALT WITH ISSUES AFFECTING THE MARITIME PROVINCES. SPECIFICALLY, THE INSTITUTE'S STUDY DEALT WITH THE REPORTS OF FOURTEEN ROYAL COMMISSIONS APPOINTED BETWEEN 1926 (THE ROYAL COMMISSION ON MARITIME CLAIMS) AND 1957 (THE ROYAL COMMISSION ON CANADA'S ECONOMIC PROSPECTS). WE BELIEVE THE CONCLUSIONS OF THIS REPORT TO BE OF IMPORT TO THE DELIBERATIONS OF YOUR COMMISSION AND TO THE PROBLEMS CANADA CURRENTLY FACES. THE INSTITUTE'S CONCLUSIONS IN 1960 INCLUDED THE FOLLOWING:

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> IT IS SURPRISING, THAT SO LARGE A NUMBER OF PROBLEMS THAT EXISTED 30 YEARS AGO PERSIST TODAY AND SO MANY OF THE REMEDIES HOPEFULLY ADVANCED DURING THAT PERIOD, ARE VOICED TODAY IN ALMOST THE SAME WORDS AND TONES.
>
> IT IS DIFFICULT TO ESCAPE THE CONCLUSION THAT ON THE MAJOR PROBLEMS TO WHICH THE ROYAL COMMISSIONS HAVE DIRECTED THEIR ATTENTIONS, THEY HAVE FAILED TO PRODUCE PERMANENT SOLUTIONS.

THE INSTITUTE WENT ON TO ENUMERATE THE UNSOLVED PROBLEMS, MANY OF WHICH WERE REPEATEDLY INVESTIGATED IN ROYAL COMMISSIONS DURING THE PERIOD 1926-1957. THE LIST INCLUDED:

1. PROBLEMS RELATED TO TRANSPORTATION, FREIGHT RATES, AND MARKETS.

2. THE FINANCIAL RELATIONS BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS.

..../12

3. THE ECONOMIC EXPANSION OF RESOURCE-BASED INDUSTRIES: AGRICULTURE, FISHING, FORESTRY, MINING, TOURISM, ETC.

4. THE ENCOURAGEMENT OF SUCH INDUSTRIAL DEVELOPMENT AS CAN BE SUPPORTED BY THE ECONOMIC POTENTIAL OF THE AREA.

5. THE IMPROVEMENT OF EMPLOYMENT AND MONETARY POLICIES WHICH, IN A FEDERAL STATE, WILL HARMONIZE REGIONAL NEEDS WITH NATIONAL POLICY.

IT IS OUR POSITION THAT NOT ONLY WERE THE CONCLUSIONS OF THE STUDY APPROPRIATE THEN BUT THAT THE SAME FUNDAMENTAL PROBLEMS FACE THE CANADIAN FEDERATION AT THE PRESENT TIME. INDEED, IN SOME RESPECTS THEY MAY HAVE INTENSIFIED.

..../13

IF WE AS A NATION ARE TO FIND SOLUTIONS TO OUR PROBLEMS WE NEED TO RECOGNIZE THAT MANY CONTEMPORARY PROBLEMS ARE ROOTED IN THE HISTORY AND STRUCTURE OF CANADIAN FEDERALISM. INHERENT IN A STABLE SOCIETY IS AN INSTITUTIONAL FRAMEWORK WHICH CAN GUARANTEE THAT ECONOMIC ACTIVITY CAN TAKE PLACE. THAT FRAMEWORK ALSO HAS TO BE FLEXIBLE AND CONDUCIVE TO A DECISION-MAKING PROCESS WHICH CAN PROVIDE SOLUTIONS TO PROBLEMS WHEN THEY ARISE. IT HAS BECOME A CLICHÉ, BUT STILL CORRECT TO SAY, THAT ECONOMICS IS TOO IMPORTANT TO LEAVE TO ECONOMISTS. WE HAVE EXPERIENCED ENOUGH HISTORY TO LEARN THAT ECONOMICS AND ECONOMISTS MAY BE NECESSARY BUT NOT SUFFICIENT IN DEALING WITH SOCIETIES' ILLS.

THE REACTION OF THE PROVINCES TO A FEELING OF IMPOTENCE IN NATIONAL DECISION-MAKING HAS RESULTED IN AN INCREASING

TENDENCY ....

TENDENCY TO BUILD THEIR OWN EMPIRES. THE EFFECT HAS BEEN AN INCREASING DEGREE OF REGIONALISM OR PROVINCIALISM AND QUASI-FEDERALISM OF AN UNDESIRABLE NATURE. PROVINCIAL GOVERNMENTS HAVE TAKEN OVER THE ROLE OF REPRESENTING THEIR POLITICAL JURISDICTIONS IN AREAS OF FEDERAL CONSTITUTIONAL RESPONSIBILITY, AND THE FEDERAL GOVERNMENT HAS EARNED INCREASED DISRESPECT FOR ITS FAILURE TO REPRESENT PROVINCES.

THIS IS THE EXPLANATION FOR WHAT MANY SEE AS A MOVEMENT AWAY FROM THE INCREASING CENTRALIZATION WHICH HAS TAKEN PLACE SINCE CONFEDERATION.

BECAUSE THE PROVINCES DO NOT SEE THE FEDERAL GOVERNMENT AS A GOVERNMENT REPRESENTING ALL PROVINCIAL POPULATIONS, THE PROVINCES THEMSELVES HAVE ATTEMPTED TO SUBSTITUTE FOR THE LACK OF REPRESENTATION IN THE LEGITIMATE NATIONAL

DECISION-MAKING ....

DECISION-MAKING PROCESS. WHAT HAS RESULTED IS AN INCREASING DEGREE OF HOSTILITY AND THE INTERPRETING OF ECONOMIC AND POLITICAL RELATIONS IN TERMS OF A ZERO-SUM GAME. WHAT ONE PARTY WINS THE OTHER HAS TO LOSE.

DONALD SMILEY HAS PUT FORTH THE CASE THAT RECENT FEDERAL STRATEGY APPEARS TO BE BASED ON WHAT HE CALLS "FEDERAL MAJORITARIANISM". FOR SMILEY, FEDERAL MAJORITARIANISM "ASSERTS THAT THE GOVERNMENT WHICH CONTROLS THE HOUSE OF COMMONS IS THE SOLE REPOSITORY OF THE CANADIAN COMMON GOOD". SMILEY ARGUES THAT IN ANY DIRECT CLASH BETWEEN THE FEDERAL MAJORITY AND ANY OTHER CENTER OF POWER THE WILL OF THE FORMER MUST PREVAIL BECAUSE IT ALONE REPRESENTS THE INTERESTS OF ALL CANADIANS. TO SUPPORT THIS ARGUMENT SMILEY REFERS TO THE WORDS OF THE PRIME MINISTER FROM THE HOUSE OF COMMONS IN 1980:

..../16

> WE, WHO ARE HERE IN PARLIAMENT, ARE THE ONLY GROUP OF MEN AND WOMEN IN THIS COUNTRY WHO CAN SPEAK FOR EVERY CANADIAN. WE ARE THE ONLY GROUP, THE ONLY ASSEMBLY IN THIS COUNTRY, WHICH CAN SPEAK FOR THE WHOLE NATION, WHICH CAN EXPRESS THE NATIONAL WILL AND THE NATIONAL INTEREST.

SMILEY'S CONCLUSIONS ARE THAT FEDERAL MAJORITARIANISM IS SUBVERSIVE OF BOTH THE PARLIAMENTARY AND THE FEDERAL DIMENSIONS OF THE CANADIAN POLITICAL COMMUNITY. THE NEW DOCTRINE SUBSTITUTES THE WILL OF THE GOVERNMENT MAJORITY IN THE HOUSE OF COMMONS FOR THE BALANCED SYSTEM OF POWERS WITHIN THE CENTRAL GOVERNMENT PROVIDED FOR UNDER THE BRITISH NORTH AMERICA ACT AND FOLLOWED BY SUCCESSIVE GENERATIONS OF CANADIANS. WE AGREE WITH THESE CONCLUSIONS.

RICHARD SIMEON HAS RECENTLY SUGGESTED THAT THE DIFFICULTIES OF NATIONAL POLICY DECISION-MAKING ARE INTENSIFIED BY THE

STRUCTURE OF CABINET GOVERNMENT AND STRICT PARTY DISCIPLINE, WHICH REDUCES THE ABILITY OF THE FEDERAL GOVERNMENT TO REFLECT WITHIN ITSELF CANADA'S REGIONAL DIVERSITY. IN ADDITION, CABINET SOLIDARITY PLACES SEVERE LIMITS ON THE ABILITY OF A MINISTER TO ACT AS A REGIONAL SPOKESMAN. FOR THESE AND OTHER NUMEROUS REASONS IT IS THE CASE THAT MECHANISMS FOR EXPRESSION OF ALL NATIONAL INTERESTS AT THE FEDERAL LEVEL OF GOVERNMENT ARE WEAK AND INEFFECTIVE. IT HAS BEEN ARGUED FREQUENTLY THAT THIS IS NOT THE CASE IN COUNTRIES LIKE THE UNITED STATES AND AUSTRALIA, BECAUSE THE STRUCTURE OF THEIR RESPECTIVE SENATES ARE EFFECTIVE IN FULFILLING THIS ROLE. THE CANADIAN SENATE CANNOT PLAY THIS ROLE BECAUSE THE PROVINCES ARE NOT EQUALLY REPRESENTED, AND THEREFORE THE FEDERAL GOVERNMENT LACKS THE LEGITIMACY THAT WOULD COME FROM SUCH REPRESENTATION.

.../18

THE LONG-TERM RESULT OF OUR PRESENT SITUATION, IF NOT CHANGED COULD BE THE DISINTEGRATION OF THE FEDERATION. THE LACK OF A MEANINGFUL FEDERAL CONSENSUS WILL INCREASINGLY BE MET BY THE ATTEMPT OF EVERY PROVINCIAL GOVERNMENT TO MAXIMIZE WHAT THEY INTERPRET AS THEIR OWN INTERESTS INDEPENDENT OF THE PARLIAMENTARY PROCESS. BY DEFAULT THE PROVINCIAL GOVERNMENTS ASSUME THE RESPONSIBILITY FOR PROVINCIAL ECONOMIC INTERESTS.

PRINCE EDWARD ISLAND FEELS EXTREMELY VULNERABLE IN THE PRESENT SITUATION; HOWEVER, THE ARGUMENT PUT FORWARD HERE IS NOT ONE BASED ON WHAT MAY BE INTERPRETED AS OUR OWN VESTED INTERESTS. IT IS AN ARGUMENT WHICH WE BELIEVE TO BE IN THE INTERESTS OF CANADA.

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However, as the smallest province in the country, we do feel that the "national" decisions which are made are often irrelevant to the province's concerns. Although an equal partner in Confederation, we find ourselves at present in a position of having less representation in the Federal House of Commons and therefore less influence in national decision-making than was the case one hundred years ago.

Perhaps most importantly the provinces have felt the impact of the increasing number of national non-parliamentary institutions. Institutions such as the Canadian National Railway, Air Canada, the Canadian Radio and Television Corporation, the Canadian Transport Commission and many others are, in effect, making national policy independent of Parliament. These non-Parliamentary

AGENCIES ....

AGENCIES AND CORPORATIONS ARE INCREASINGLY FILLING THE VOID LEFT BY A LACK OF FEDERAL CONSENSUS, AND IN MOST CASES PRINCE EDWARD ISLAND HAS NO REPRESENTATION ON THE INSTITUTIONS OR THEIR BOARDS.

SINCE THE ENTRENCHMENT OF THE CHARTER OF RIGHTS IN THE NEW CANADIAN CONSTITUTION, THE SUPREME COURT OF CANADA HAS TAKEN ON AN EVEN GREATER SIGNIFICANCE. IT WAS THE EXPLICIT DECISION, IN THE ENTRENCHMENT, THAT THE COURTS WERE A MORE APPROPRIATE BODY THAN GOVERNMENTS TO DEAL WITH THE ISSUES INVOLVED IN HUMAN RIGHTS. WITH THIS DECISION WE HAVE ANOTHER NON-PARLIAMENTARY INSTITUTION WITH ITS NATIONAL DECISION-MAKING ABILITY INCREASED. SINCE THIS IS THE CASE IT IS OF CRUCIAL IMPORTANCE FOR THE PROVINCES TO SEE THE SUPREME COURT AS BEING REPRESENTATIVE.

..../21

REFORM OF THE SENATE IS A CASE WHERE THE POSITION OF PRINCE EDWARD ISLAND CAN BE EXPRESSED CLEARLY AND EXPLICITLY, IT IS A TOPIC WHICH HAS BEEN DISCUSSED AND DEBATED FROM THE SENATE'S INCEPTION IN 1867 CONTINUALLY THROUGH TO THE PRESENT. THE DISCUSSION OF SENATE REFORM HAS BEEN INTENSIFIED SINCE THE 1980-82 CONSTITUTIONAL TALKS.

THE PROVINCE OF PRINCE EDWARD ISLAND HAS PRESENTED ITS CASE TO THE SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS, FORMED IN DECEMBER, 1982.

IF SENATE REFORM WERE TO TAKE PLACE, SUCH THAT THE EQUALITY OF THE PROVINCES (NOT REGIONS) WAS ESTABLISHED, AND IF SENATE WERE TO HAVE A STRONG LEGISLATIVE ROLE, THEN IT COULD PLAY THE CLASSIC ROLE OF AN UPPER HOUSE IN A DEMOCRATIC FEDERATION. SUCH A CHAMBER COULD ENSURE THAT NATIONAL POLICIES ARE MORE TRULY CANADIAN, IN THE SENSE THAT ALL PARTNERS HAVE BEEN HEARD.

..../22

THE TERMS OF REFERENCE OF YOUR COMMISSION REFER TO CANADA'S COMMITMENT TO "THE REDUCTION OF ECONOMIC DISPARITIES BETWEEN REGIONS AND THE FAIR DISTRIBUTION OF THE ADVANTAGES AND BURDENS OF CANADIAN ECONOMIC DEVELOPMENT." THE CASE HAS BEEN MADE IN OUR DETAILED SUBMISSION THAT THE ACCOMPLISHMENT OF THIS GOAL IS NOT POSSIBLE WITHOUT REFORM OF CANADA'S INSTITUTIONS. EFFECTIVE ECONOMIC POLICY REQUIRES A NATIONAL CONSENSUS. AS TOM KENT, THE FORMER DEPUTY MINISTER OF THE DEPARTMENT OF REGIONAL ECONOMIC EXPANSION EXPRESSED IT,

> DREE CANNOT BE EXPECTED TO PLAN GOOD REGIONAL DEVELOPMENT STRATEGIES UNLESS THERE IS A NATIONAL INDUSTRIAL STRATEGY OF WHICH REGIONAL PROGRAMS ARE PART AND WITH WHICH THEY CAN BE CO-ORDINATED. WE DO NOT HAVE SUCH A STRATEGY.

.../23

WITHOUT NATIONAL ECONOMIC POLICIES WHICH SUBSTANTIALLY CHANGE THE ENVIRONMENT IN WHICH DEVELOPMENT HAS TO TAKE PLACE ECONOMIC PROGRAMS SUCH AS THOSE PROMOTED BY DREE ARE SELF-DEFEATING. ALL OF THE EFFORTS TO ATTRACT INDUSTRY TO ALL REGIONS OF THE COUNTRY THROUGH FINANCIAL INCENTIVES AND OTHER MEANS, WILL NOT BE SUCCESSFUL AS LONG AS THOSE INDUSTRIES ARE FACED WITH TRANSPORTATION AND ENERGY COSTS WHICH ARE PROHIBITIVE.

IN 1982 A KILOWATT OF ELECTRICITY IN PRINCE EDWARD ISLAND COST AN AVERAGE OF 11.85 CENTS. COMPARABLE FIGURES WERE ABOUT 3.2 CENTS PER KILOWATT HOUR IN QUEBEC, ABOUT 4.5 CENTS IN NEW BRUNSWICK AND 5.1 CENTS PER KILOWATT HOUR IN NOVA SCOTIA. THIS IS BUT ONE EXAMPLE OF THE BARRIERS TO ECONOMIC GROWTH WHICH HAVE COME ABOUT AS A RESULT OF THE FAILURE OF CANADA TO ESTABLISH A NATIONAL CONSENSUS AND VIABLE NATIONAL ECONOMIC POLICIES.

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ECONOMIC DEVELOPMENT PROGRAMS OF A DREE TYPE HAVE GRADUALLY BEEN ACCEPTED AS A SUBSTITUTE FOR NATIONAL POLICIES RELATING TO ENERGY, TRANSPORTATION, TAXES, TRADE AND TARIFFS.

IN THE EARLY PART OF OUR SUBMISSION TODAY, I SUMMARIZED THE CONCLUSIONS OF A REPORT BY THE ATLANTIC PROVINCES ECONOMIC COUNCIL IN 1960, IN WHICH THEY EXPRESSED SOME SURPRISE THAT THE PROBLEMS THAT EXISTED IN 1960 APPEARED TO BE THE SAME PROBLEMS OF THE PREVIOUS THIRTY YEARS. I WOULD SUGGEST THAT IN 1983 THE CONCLUSIONS OF APEC ARE STILL APPLICABLE. TO REMEDY THIS SITUATION IS THE CHALLENGE WITH WHICH YOU ARE FACED.

IT IS OUR WISH THAT YOUR COMMISSION CONSIDER THE VISION AND WISDOM OF THE ROYAL COMMISSION OF DOMINION-PROVINCIAL RELATIONS - THAT SIZE, MATERIAL WEALTH, AND POLITICAL

INFLUENCE ...

INFLUENCE ARE NOT EVERYTHING IN A FEDERAL STATE. WHEN THEY BECOME SO, THE FEDERAL SYSTEM WILL HAVE FAILED. PRINCE EDWARD ISLAND MAY APPEAR TO BE AN ANOMALY, BUT IT IS AN ANOMALY WHICH CAN AND DOES REFLECT THE STRENGTH AND UNITY OF THE CANADIAN FEDERATION.

WE REALIZE THAT WE HAVE TAKEN A SOMEWHAT UNIQUE APPROACH IN OUR PRESENTATION TODAY, EMPHASIZING THE IMPORTANCE OF CANADA'S INSTITUTIONS AS OPPOSED TO EXPLICIT ECONOMIC PROBLEMS. HOWEVER, I BELIEVE WE HAVE ESTABLISHED, TO THE BENEFIT OF YOUR COMMISSION, THE LINK BETWEEN THE TWO.

IT IS OUR HOPE THAT WE HAVE CONTRIBUTED TO YOUR TASK AND TO THE FUTURE OF THE CANADIAN FEDERATION. WE LOOK FORWARD TO RESPONDING TO YOUR DOCUMENT, CHALLENGES AND CHOICES, IN THE NEAR FUTURE.

THANK YOU FOR THIS OPPORTUNITY TO ADDRESS YOUR COMMISSION.

POOR

QUALITY

ORIGINAL